United States
Department of
Agriculture

Office of
Governmental
and Public Affairs

# Major News Releases and Speeches

**July 10-July 24, 1981**



## NOTE:

**Mechanical difficulties prevented issuance of the compilation of major news releases and speeches for July 10-17. Therefore, this issue covers July 10-24.**

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**News Releases—**

India Resumes Large Scale Imports of U.S. Wheat

U.S. Grain Team Reports Heavy Sales Competition in Morocco and Algeria

Chinese Grain Group to Discuss Further U.S.-China Cooperation

USDA Proposes to Remove Screwworm Interstate Movement Regulations

Five Airports Regulated for Japanese Beetles

USDA Scientists Bring Natural Enemies of U.S. Insect Pests From China

Dairy Farmers to Vote on Changing 29 Milk Orders

USDA Restricts Danish Horse Imports Because of CEM

Grain Agency Seeking Nominations to Advisory Committee

93 Campgrounds in 8 States Regulated to Help Prevent Spread of Gypsy Moth

CCC Corn, Grain Sorghum Pricing Policy Announced

USDA Proposes Fee Increase for Voluntary Rice Inspection

Review Team Seeks Information on Fruit, Vegetable Marketing Orders

New Inspection Mark Adopted to Identify Imported Horsemeat

Thomas A. Hammer Named Deputy Under Secretary of Agriculture

USDA Establishes Mediterranean Fruit Fly Regulations

Haitian African Swine Fever Program to Get Underway

Medfly will not affect Consumer-Level Food Supplies, USDA Advises

Russian Parasites Brought to United States to Fight Gypsy Moth Infestation

Food Marketing Alert: Summer Fruits Plentiful for August

USDA Invites Comments on Soybean, Sunflower Reference Standards

Lottery Set for Quarantine Space at Truman Animal Import Center

June Consumer Price Index Release Reflects Small Increases in Food Prices

President Signs Repeal of Interest Waiver; Wheat Eligible for Immediate Entry

Soviet Grain Talks Announced

# Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

**Remarks by Under Secretary of Agriculture Seeley G. Lodwick before the Council of State Farm Bureau Presidents, Park Ridge, Ill., July 10, 1981.**

I appreciate this opportunity to meet with so many old friends and discuss some of the issues that are important to agriculture--particularly international trade.

Secretary of Agriculture John R. Block and all of us on the Administration's team at USDA appreciate your interest in the expansion of agricultural exports. This is a priority matter not only in Agriculture, but in the white House and some other Departments of the Executive Branch as well.

Contrary to what you might have read and heard, this includes the Department of State, where Secretary Haig earlier this year sent a cable to American ambassadors at all foreign posts noting the urgency with which the President views the need for agricultural export expansion and asking their cooperation in this endeavor.

Successful exporting is a difficult business and one that requires a team effort, so we are pleased with the cooperation that has been indicated by segments of government outside the Department of Agriculture.

While successful exporting is a difficult business, it also is a business in which the government has no monopoly on solutions to the problems that arise. We need your help and your advice, so today I plan to talk for a few minutes on our policies in agriculture and trade, some of the issues, and then for the rest of my allotted time I hope to get your views on what we should be doing.

President Reagan's economic Recovery Program is based essentially on reducing government interference in the economy and letting the market work. We are moving toward that goal in the Department of Agriculture on both the domestic and international fronts.

Domestically, the Administration's proposals for farm legislation are designed to give farmers more freedom to plant and market in response to market forces. The goal is a more flexible farm program that reflects

changing market conditions rather than changing government programs.

Committees in both the House and Senate have reported out their versions of the 1981 farm bill, and we have some problems with them that we hope can be solved before the final floor votes.

The Secretary considers it absolutely essential that the dairy support program be curtailed in line with the President's all-out effort to reduce the federal budget. The sugar support price as reported out of the committees also is troublesome, and the Secretary wants to eliminate the target price concept and the allotment system that constricts this country's peanut production.

The Senate could take up its bill as early as next week; House action will come later, and we will see what happens. The Administration feels that expanding agricultural exports is crucial to a more market-oriented domestic farm policy. Therefore, we favor international policies that encourage more liberal trade.

You are aware of the protectionist pressures that have arisen in this country to restrict trade, and right here I think that you and I and all of us who are interested in the well-being of agriculture have a selling job to do.

We need to convince our neighbors and our legislators that liberal trade in the long run benefits everyone. This is certainly true in agriculture, and it's a message we need to get across.

We know what exports do for agriculture--more than 20 percent of marketing income from exports, one-third of all crop acreage producing for export and much more for some commodities. But the whole economy benefits.

More than a million Americans raise, process, ship, and finance our farm exports. Thanks in no small measure to farm leaders like yourselves, exports of U.S. farm products this fiscal year are expected to reach $46 billion--a new record and a healthy 14 percent increase over last year's $40.5 billion. At the same time, our agricultural trade surplus should climb to the unprecedented level of $28 billion. Not only do these exports create jobs for U.S. workers, but they also help hold down the Nation's trade deficit and offset our big bills for imported oil. Last year, farm exports paid for more than half of America's oil imports. That has been a real life-saver for the U.S. dollar and entire economy.

That story--the benefits of trade--needs telling in this country and it needs telling abroad, where protectionist tendencies run stronger and deeper than they do here.

Secretary Block and I carried that message to leaders of the European Community in May and June. We spelled out the need for less, rather than more, government interference in world trade.

We stated our opposition to multilateral commodity arrangements that set prices or allocate supplies and markets. We said that, except in very special cases, it is our view that bilateral agreements tend to restrict trade growth. The Soviet Union is one special case China and Mexico are others.

The ability of the Soviet Union to totally disrupt world markets makes a bilateral agreement a necessity--and good sense. Putting Soviet trade on a more predictable basis can prevent such disruptions, particularly in the grain trade. The previous Administration signed a supply agreement with China, which also has a market-disrupting potential, and we intend to honor that agreement. Lastly, our agreement with Mexico supports important foreign policy goals and recognizes the special relationship we have with our neighbor to the south.

At every stop in Europe--and between us we made eight of them--we expressed the U.S. concern at the growing protectionist tendencies in world trade and some of our specific concerns over Community practices that interfere with free markets.

The message was clear and concise--the United States will work for more liberal trade, for a reduction in government interference with the market, and it will defend its trading rights to whatever extent is necessary.

A paramount issue that we raised was the possible expansion in the use of aggressive EC export subsidies that are already costing us markets for wheat and threatening our trade in other commodities. Other major topics we discussed included EC talk of unbinding the zero duty on corn gluten and proposed EC internal taxes on vegetable oils that would hurt U.S. soybean exports.

The EC ministers were assured that the United States would respond aggressively to the unfair use of taxes, subsidies or other trade-restricting devices.

We would expect that these differences can be resolved by discussion and negotiation, but if necessary, the United States can respond under the rules of GATT in ways that affect EC export trade.

For our part, we intend to work as closely as we can with the European Community and our other trading partners to see that the agreements reached in the Tokyo Round of Multilateral Trade Negotiations work fairly and effectively. We intend to keep the commitments made by the U.S. in the MTN and in earlier agreements. We expect our partners to do the same.

We also addressed the world food situation--the Secretary before the world Food Council in Yugoslavia and I at a meeting of the FAO Council in Rome.

We pointed out that the world's food security has improved significantly since 1974. The overall level of food grain reserves is good, and major developing countries such as India and Bangladesh have improved their food production and stocks. What we need to do in the area of food aid now is look at individual country situations and search for country-specific solutions where there are food problems. I reminded the Council that the United States is and will probably remain the world's largest contributor of food aid. But I emphasized that we can't continue to carry the burden of the world's reserves of grain alone. Other nations must do their share to establish more adequate reserves and, what is equally important, to help give developing countries the technical knowledge they need to expand their own food production.

I would like to turn now to what we have been doing at the Department to improve our performance in farm export markets. We are making an intensified effort (1) to sharpen our competitive edge in the sale of U.S. farm products abroad; (2) to take advantage of shifting world trade patterns and opportunities; and (3) to strengthen our efforts to gain access to foreign markets.

As you know, the need for accurate world market information is becoming more critical every day as our reliance on the export market grows. And this is one area where we have made important progress.

USDA's Foreign Agricultural Service--our export promotion agency--is updating it's global telecommunications system. The purpose is to provide quicker, more accurate information, which, in turn, will

give producers and traders better production and market data, and make trade leads more easily available to exporters and foreign buyers. I would like to show you the first results of this work. This report--issued last week--was the first to be transmitted via a satellite linkup with our London office. This system will be phased in at all our major posts--with at least five to be on the line this year--to provide the kind of rapid reporting from overseas that will be invaluable to everyone involved in farm exports.

The need for this kind of information is crucial because competition has been increasing in the agricultural markets of the world. It was intensified with the imposition of the embargo on shipments to the Soviet Union. With the embargo lifted, we hope to resume more normal trade with that country, but our competitors from South America, Europe, and other producing countries are becoming more active not only in the Soviet market but in other markets as well.

Among the measures we are proposing to meet this competition is to expand and make more effective the export credit programs. As a first step, the President's budget includes an increase of $3OO million for CCC credit guarantees this fiscal year and an additional $200 million for 1982.

We are exploring other credit measures that could be used to stimulate agricultural exports without laying a permanent burden on the U.S. taxpayer. We need to be imaginative, and I hope to get from you some ideas for credit techniques that can be used to boost exports.

To meet the competition head-on, we targeted specific markets with high growth potential for visits by teams of government and industry grain specialists, including producers. They met with government officials and members of the trade in the host countries. Their purpose was to let them know that U.S. agriculture is interested in their needs, that it is a reliable and abundant supplier, and to develop plans leading to expansion of imports of U.S. grain.

The first of these teams visited Brazil, Chile, and Venezuela, and the second went to Morocco and Algeria. A third team, headed by Deputy Secretary Lyng, visited China.

The team members came home pleased with the contacts made in most of the countries and generally optimistic about the future of U.S. grain exports to the host countries. Several reported that their hosts

were surprised and delighted to find the U.S. government and the private sector working together to service their market.

We are considering the possibility of sending out similar teams representing other commodities.

The make-up of these teams--government, trade and producers fits in with our plan to make export expansion an agriculture-wide effort.

Along this line, we are cooperating more closely with state agriculture departments to generate more local interest and participation in exporting, and we will provide major support to the first biennial State-sponsored national food and agriculture exposition in Atlanta in 1983.

We also are encouraging wide participation in planning USDA's market development budget. In preparing the budget of the Foreign Agricultural Service for fiscal 1983, we are identifying specific countries, commodities, trade barriers and credit needs, and will focus our market development resources on areas where we see the greatest opportunities. As we make these budget plans, we are working much more closely with the trade, market development cooperators, and proocucers.

There are growing problems in exporting, and the Department is looking to you and other leaders in the private sector to help us find solutions. Inflation, high interest costs, and the stronger dollar all erode our export position. I am confident that the President's Economic Recovery Program will reverse the course of inflation and bring relief from high interest costs, providing the basis for renewed productivity in both agriculture and industry. But we need your help and ideas to work from that base to get the full potential for U.S. agricultural exports.

In the end, breaking new ground for U.S. exports is not just my job, or USDA's job it is the job of everyone in this room. I've seen you do that job well in the past and I know you'll meet the challenges of·the future.

Now that you have heard some of the Administration's views on trade, I would like to spend some time hearing from you. Are there any questions, comments, or topics you would like to discuss?

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**Remarks Prepared for Delivery by Secretary of Agriculture John R. Block, National Association of Counties, Louisville, Kentucky, July 15, 1981**

I want to speak with you today about a concern that I have -- a concern that I am certain each of you shares, regardless of whether you hang your hat in an urban, suburban or rural county office.

I am talking about the survival of American agriculture. And I am firmly convinced that when I say "survival of agriculture," I am actually talking about the survival of most, if not all of the communities represented in this room today.

The figures can speak for themselves. Agriculture accounts for a full 20 percent of our nation's gross national product. Not only that, it forms the foundation for more than 23 million jobs -- and that's a fifth of our country's work force.

The simple fact is that the survival and prosperity of many American communities, regardless of size, depends upon the survival and prosperity of the surrounding agriculture that provides tax money, promotes jobs, and above all -- supplies food.

The survival and prosperity of agriculture is a broad subject. It involves curbing inflation, so the farmer doesn't continue to get bitten by skyrocketing prices on the supply side. It involves creating an economic climate in which the farmer can produce and market freely. And it involves placing an increased emphasis on exports, so that there will always be a market for our products.

These are important areas, but they represent only a few ways in which the administration is attempting to improve the quality of life in rural America and the economic well-being of its residents. We are equally concerned about forming administration and departmental policy toward rural and community development.

I'd like to tell you a little bit about the philosophy we are using as we go about the task of formulating this policy.

First, we have to recognize that our rural areas are very diverse and that basic needs differ in various regions of the country.

Secondly, we recognize that private investment in rural community development will have to play a more important role in the future. The administration's proposed funding reductions will result in USDA

program funds being directed toward smaller rural communities. They will be geared toward essential community facilities such as sanitation and health services.

Thirdly, we feel that the most successful rural development efforts will have to be supported and executed at the local level. This is consistent with the President's Economic Recovery program, which stresses that the people -- not the federal government--will provide the real energy behind getting this country back on its feet.

Actually, many of your state and local governments have realized this all along. In fact, in some areas such as the protection of farmland, the federal government will have to play catch-up in assuming its share of the responsibility.

I think we all realize the importance of preserving our productive farmland. The actions that are taken now will play an important role in the survival and prosperity of agriculture.

Look at it this way: If we maintain the same yield increases that we had in the 1970's, then we would have to cultivate 140 million more acres just to keep up with the projected demand. But in reality, we have been converting farmland to other uses at the rate of 3 million acres a year. This trend is expected to lessen in the years ahead, but it will have to drop dramatically -- if not reverse itself -- if we want to provide the food and fiber that future generations are going to need.

I'm happy to say that the Department of Agriculture has a strong land-use policy for its programs that are carried out at the local level. The Environmental Protection Agency and the Council on Environmental Quality also have strong policies for the protection of farmland. But we still need more responsibility on the federal level.

When the federal government gives financial support for highways, airports, dams, office buildings, and many others -- we are having a strong influence on farmland conversion. Even if these structures don't require conversion of farmland, they do tend to stimulate development on nearby farmland.

That's why the Food and Agriculture Cabinet Council is considering a recommendation that the President issue an executive order requiring federal agencies to review their actions in this area. As I said, many states have taken action in this area. But we need an executive order that will complement those state actions.

The point is -- if we want local governments to shoulder more responsibility, then the federal government better act in a responsible way itself.

Before I close, I would like to discuss one other area that is important to the future of agriculture. I'm talking about the President's proposed tax reforms.

The package has several features that are greatly needed. For example, it provides for an "Accelerated Capital Cost Recovery System." This would allow shorter writeoff periods and an increased investment credit for most farm assets.

Another area where relief is badly needed involves estate taxes. The administration's proposal would allow an estate of up to $600,000 to be transferred free of tax by 1985. Secondly, the gift tax exemption would be increased from $3,000 to $10,000 per year. And thirdly, the marital deduction would be unlimited. This means that estates could be transferred between husbands and wives -- tax free. I think we all know what this will mean to those families that want to keep their farm intact as it passes from generation to generation.

You've all heard it said that tax cuts are inflationary. Next time you hear someone say that, ask them this: Why is it inflationary for you to ***keep*** your money and spend it, but not inflationary for Washington to ***take*** your money and spend it.

For too many years we've watched the government try to spend this country into prosperity with our money. We all know what happened. The only thing we got out of it was a federal debt so high that I don't even know how to talk about it.

This country has gone too far in one direction, and it's time to turn the ship around. The President wants you to take the lead, simply because he knows the government can't. He wants you to use your money to rebuild this country. It's a responsibility that I think you're willing to accept, in both your professional and private lives.

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**Remarks Prepared for Delivery by Secretary of Agriculture John R. Block, National Corn Growers Association, Columbus, Ohio, July 17, 1981**

The administration's plan to improve the economic well-being of our nation's agriculture involves three basic areas. The first is our proposed farm bill, which I feel is consistent with the total Economic Recovery Plan. The second involves our export thrust, and the third is the President's tax package.

All three areas are essential in maintaining stability and encouraging prosperity in rural America. But before I start talking about how we want to accomplish our goals, I want to say a few words about why we need a prosperous agriculture.

The real reason goes far beyond our own livelihoods. It goes far beyond the fact that agriculture is the largest contributor to our balance of trade. These are important, but only because they form the foundation for our real objective -- and that is to feed people.

Look at it this way: Last year you produced 30 bushels of corn for every American. That won't be enough next year. Our country's population is growing at a rate of 5,500 people a day. We exported more than 2 billion bushels of corn, helping supply food for tables around the world. That also won't be enough. The world's population is growing by nearly 300,000 people a day.

We can talk about the politics of world trade, support programs and many other farm issues -- but when you get to the real basics, we're really talking about an endless rise in the number of mouths that will have to be fed. We're talking about a great responsibility that is for you to shoulder.

With that in mind, let's talk about how I see the government helping create the climate you will need to carry out this responsibility.

What we are not going to do, is to take any action that will interfere with the marketplace -- and that includes how we sell our CCC inventories of corn and grain sorghum. I would like to use this opportunity now to make public the policy that we have just established for sale of these stocks. Once we decide to sell, only a portion of the inventory will be sold at a minimum sales price. Then, bids on additional amounts will be accepted at succeedingly higher prices.

Also, farmers and livestock feeders hopefully will be encouraged to bid on some of these stocks. A new procedure will allow us to sell as little as 1000 bushels at a time.

I think it's important to note that we will not be selling from these inventories until we are certain that the market will not be greatly disrupted. Our goal is to deplete these stocks, but we want to do it in a way that will not damage the marketplace.

Another way in which we are looking to strengthen the marketplace is through development of foreign trade. The USDA has developed a comprehensive plan for export expansion. It is aimed at increased private participation, and less government interference.

--As a first step, we have increased CCC credit guarantees by $300 million this year, and another $200 million next year.

--Secondly, we are continuing our discussions with the European Community about trade barriers. I intend to fight hard to maintain access to these markets, particularly where we have negotiated bindings under the GATT -- including bindings involving soybeans and corn gluten.

--I am also encouraging a food reserve around the world. Our country is, and probably always will be, the world's food reserve. But frankly, I'd like to move some of this out of the country and into strategic locations.

--To meet the competition head-on, we are sending government-industry teams into specific markets with high growth potential and strong competition. The objective of these trips is to restore our pre-embargo competitive position and to enhance our reputation as a dependable supplier.

This is important. We lost our reputation for dependability when the Soviet grain embargo was announced. We also lost an excellent market for our products, and it's going to take a lot work to get it back. That's why this administration is on record as opposed to export embargoes, except for the most extreme reasons. And even then, the American farmer will not be singled out to shoulder the burden.

I want to say a few words now about our proposed farm bill. On the whole, it is a straight-forward plan to provide producer protection at a reasonable cost.

--We are proposing basic loan rates for major crops at levels that will promote competition in world markets by U.S. commodities. At the same time, these rates will assure farmers adequate short-term financing needs for marketing and production.

--The Farmer-Owned-Reserve will continue to protect against extreme fluctuations in grain supplies and prices. I do not see the reserve as a vehicle to either enhance or place a lid on prices. To encourage grain into the reserve, entry loan levels will be determined annually. When farmers sign to participate for a three-year period, they will be required to hold their grain in the reserve until the price reaches a release trigger. That trigger will be based on the cost-of-production in major producing areas, and other factors. There won't be any "call" provisions.

--Once the reserve reaches a reasonable level, the administration would have the authority to offer a voluntary paid diversion program, if the need arises. We are proposing to abolish set-asides and the

requirement to calculate normal crop acreages. Another action we have already taken is an acceleration of our phase-in for federal crop insurance. Effective with the 1982 crops, all acreage planted in crops that were formerly covered under the disaster payments program will be eligible insurance. By doing this, we feel we have given greater protection for farmers, and have met our goal of reducing dependence on the federal purse in this area.

While we're on the subject of disasters, I might add that we are working rapidly on all requests for disaster designations. In Ohio we have received the governor's request. On Wednesday we received Ohio's damage assessment reports that are required under the new emergency disaster regulations. I expect to be taking some action shortly after those assessments are reviewed by my staff.

This administration has proposed a tax package that is greatly needed if we want to harness this monster. Let's look at some of the ways agriculture would be helped.

--The proposal would implement an "Accelerated Capital Cost Recovery System." This would allow shorter writeoff periods and an increased investment credit for most farm assets. Machinery and eligible livestock could be written off over a 5-year period, and still be

eligible for the 10 percent investment credit. Single-purpose structures could receive similar treatment.

--The proposal also allows the immediate writeoff of a limited amount of capital investment. This would allow taxpayers to choose between immediate writeoffs and writeoffs under the "Accelerated Capital Cost Recovery System."

--Another area where relief is badly needed involves estate taxes. The administration's proposal would allow an estate of up to $600,000 to be transferred free of tax by 1985. Secondly, the gift tax exemption would be increased from $3,000 to $10,000 per year. And thirdly, the marital deduction would be unlimited. This means that estates could be transferred between husbands and wives--tax free. I think we all know what this will mean to those families that want to keep their farms intact.

I'm certain you've heard it said that tax cuts are inflationary. Next time you hear someone say that, ask them this: Why is it inflationary for you to ***keep*** your money and spend it, but not inflationary for Washington to ***take*** your money and spend it.

For too many years we've watched the government try to spend this country into prosperity with our money. We all know what happened. The only thing we got out of it was a federal debt so high that I don't even know how to talk about it.

This country has gone too far in one direction, and it's time to turn the ship around. The President wants you to take the lead, simply because he knows the government can't. I think this creates an exciting era--a historic era--for all of us. I am confident agriculture is willing to accept its share of the responsibility.

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**Remarks by Under Secretary Seeley Lodwick before the Arkansas Farm Bureau, Hot Springs, Arkansas, July 21, 1981**

It is always a pleasure to get out of Washington and meet with Farm Bureau leaders in different parts of the country. Secretary Block and all of us on his team at USDA value these opportunities to talk with you

and share ideas on the issues facing American agriculture today. Sometimes the lines of communication between the States and Washington haven't been what they should be. We intend to change all that in this Administration.

I would like to give you a brief report this morning on what the Reagan Administration is doing in the farm policy area and, in particular, what we're doing to expand sales of America's farm products overseas.

As you know, President Reagan's Economic Recovery Program is based on reducing Government interference in the economy and letting the market work. That is also the goal of our agricultural policy. The Department of Agriculture is working toward that goal on both the domestic and international fronts.

Domestically, the Administration's proposals for farm legislation are designed to give farmers more freedom to plant and market in response to market forces. The goal is a more flexible farm program that reflects changing market conditions rather than changing government programs.

Committees in both the House and Senate have reported out their versions of the 1981 farm bill, and we have some problems with them that we hope can be solved before the final floor votes.

The Secretary considers it absolutely essential that the dairy support program be curtailed in line with the President's all- out effort to reduce the Federal budget. The sugar support price as reported out of the Committees also is troublesome, and the Secretary wants to eliminate the target price concept and the allotment system that constricts this country's peanut production.

We hope the Congress will direct its attention to the farm legislation as soon as it possibly can.

The Administration feels that expanding agricultural exports is critical to a more market-oriented domestic farm policy. Therefore, we favor international policies that encourage more liberal trade.

You are aware of the protectionist pressures that have arisen in this country to restrict trade. That is one area where I think that you and I and all of us who are interested in the well-being of agriculture have a selling job to do.

We need to convince our neighbors and our legislators that liberal trade in the long run benefits everyone. This is certainly true in

agriculture, and it's a message we need to get across.

I am sure you know what exports do for agriculture. Arkansas is one of 16 States where one-third to one-half of farm income comes from exports. One-third of America's harvested acreage produces for export. That proportion is even higher for certain commmodities like rice and cotton, both of which are important to Arkansas' economy.

Last year Arkansas farmers had over $1.3 billion in overseas sales and they led the Nation in rice exports with over $400 million and in poultry exports with $70 million. Arkansas' cotton exports are also strong -- with sales last year of $124 million. Prospects for rice and cotton exports at this point seem to be mixed. Because of better crop prospects in a number of key importing countries, USDA expects foreign demand for U.S. rice to level off somewhat. However, we expect the United States to gain a larger share of world cotton trade, reflecting prospects for a much larger 1981/82 crop and more competitive prices.

The benefits of these exports don't just go to farmers. They help the entire economy. More than a million Americans raise, process, ship, and finance our farm exports. Thanks in no small measure to farm leaders like yourselves, exports of U.S. farm products this fiscal year are expected to reach $46 billion -- a new record and a healthy 14 percent increase over last year's $40.5 billion. At the same time, our agricultural trade surplus should climb to the unprecedented level of $28 billion. Not only do these exports create jobs for U.S. workers, but the trade surplus they generate helps hold down the Nation's trade deficit and offset our big bills for imported oil. Last year, farm exports paid for more than half of America's oil imports. That has been a real life saver for the U.S. dollar and our entire economy.

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We stated our opposition to multilateral commodity arrangements that set prices or allocate supplies and markets. We said that, except in very special cases, it is our view that bilateral agreements tend to

restrict trade growth. The Soviet Union is one special case, China and Mexico are others.

The ability of the Soviet Union to totally disrupt world markets makes a bilateral agreement a necessity -- and good sense. Putting Soviet trade on a more predictable basis can prevent such disruptions, particularly in the grain trade. The previous Administration signed a supply agreement with China, which also has a market-disrupting potential, and we intend to honor that agreement. Lastly, our agreement with Mexico supports important foreign policy goals and recognizes the special relationship we have with our neighbors to the south.

At every stop in Europe--and between us we made eight of them--we expressed the U.S. concern at the growing protectionist tendencies in world trade and some of our specific concerns over Community practices that interfere with free markets.

The message was clear and concise -- the United States will work for more liberal trade, for a reduction in Government interference with the market, and it will defend its trading rights to whatever extent is necessary.

A paramount issue that we raised was the possible expansion in the use of aggressive EC export subsidies that are already costing us markets for wheat and threatening our trade in other commodities. Other major topics we discussed included EC talk of unbinding the zero duty on corn gluten and proposed EC internal taxes on vegetable oils. Those proposed taxes could have a direct effect on the income of some of you here today. Last year, Arkansas farmers exported over a half billion dollars in soybean products. Any EC tax on vegetable oil would damage the European market for our soybean exports.

The EC ministers were assured that the United States would respond aggressively to the unfair use of taxes, subsidies or other trade-restricting devices.

We would expect that these differences can be resolved by discussion and negotiation, but if necessary, the United States can respond under the rules of the General Agreement on Tariffs and Trade in ways that affect EC export trade.

For our part, we intend to work as closely as we can with the European Community and our other trading partners to see that the

agreements reached in the Tokyo Round of Multilateral Trade Negotiations work fairly and effectively. We intend to keep the commitments made by the U.S. in those negotiations and in earlier agreements. We expect our trading partners to do the same.

I would like to turn now to what we have been doing at the Department to improve America's performance in farm export markets.

We are making an intensified effort (1) to sharpen our competitive edge in the sale of U.S. farm products abroad; (2) to take advantage of shifting world trade patterns and opportunities; and (3) to strengthen our efforts to obtain access to foreign markets.

As you know, the need for accurate world market information is becoming more critical every day as our reliance on the export market grows. And this is one area where we have made important progress.

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The need for this kind of information is crucial because competition has been increasing in the agricultural markets of the world. It has intensified with the imposition of the embargo on shipments to the Soviet Union. With the embargo lifted, we hope to resume more normal trade with that country, but our competitors from South America, Europe, and other producing countries are becoming more active not only in the Soviet market but in other markets as well.

Among the measures we are proposing to meet this competition is to expand and make more effective the export credit programs. As a first step, the President's budget includes an increase of $300 million for CCC credit guarantees this fiscal year and an additional $200 million for 1982.

We are exploring other credit measures that could be used to stimulate agricultural exports without laying a permanent burden on the U.S. taxpayer. We need to be imaginative and I welcome any ideas you might have for new credit techniques that we can use to boost exports.

To meet our foreign competition head-on, the Department targeted specific markets with high growth potential for visits by teams of Government and industry grain specialists, including producers. They met with Government officials and members of the trade in the host countries. Their purpose was to let these officials know that U.S. agriculture is interested in their needs and is a reliable and abundant supplier of grain.

The first of these teams visited Brazil, Chile, and Venezuela, and the second went to Morocco and Algeria. A third team, headed by Deputy Secretary Lyng, visited China.

The team members came home pleased with the contacts made in most of the countries and generally optimistic about the future of U.S.grain exports to the host countries. Several reported that their hosts were surprised and delighted to find the U.S. Government and the private sector working together to service their market.

We are considering the possibility of sending out similar teams representing other commodities.

The make-up of these teams -- Government, trade, and producers -- fits in with our plan to make export expansion an agriculture-wide effort.

Along this line, we are cooperating more closely with state agriculture departments to generate more local interest and participation in exporting, and we will provide major support to the first biennial State-sponsored National Food and Agriculture Exposition in Atlanta in 1983.

There are growing problems in exporting, and the Department is looking to you and other leaders in the private sector to help us find solutions. Inflation, high interest costs, and the stronger dollar all erode our export position.

I am confident that the President's Economic Recovery Program will reverse the course of inflation and bring relief from high interest costs. I believe it will provide the basis for renewed productivity in both agriculture and industry. But we also need your help and ideas to make

the President's program work and to reach the full potential for U.S. agricultural exports.

In the end, breaking new ground for U.S. exports is not just my job, or USDA's job, it is the job of everyone in this room. I've seen you do that job well in the past and I know you'll meet the challenge of the future.

Now that you have heard some of the Administration's views on trade, I would like to spend some time hearing from you. Are there any questions, comments or topics you would like to discuss?

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**Statement by Secretary John R. Block before the Senate Subcommittee on International Trade and the Senate Subcommittee on International Finance and Monetary Policy July 9, 1981**

Mr. Chairman and members of the Committee. I welcome this opportunity to meet with you and discuss the agricultural trade policy of this Administration.

As you know, trade policy plays a central role in the President's Economic Recovery Program. Two important goals of the program are reducing government barriers to trade and improving export promotion. It's critical that we reach these goals because more and more jobs at home depend on our success overseas. In no area is this more true than in agriculture. Over 1 million Americans are employed in raising, processing, shipping, and financing our farm exports.

America's farmers are more dependent on the export market today than ever before. One-third of the U.S. corn crop and over half our wheat and soybean crops are sold to foreign buyers. Farmers now use one out of every three acres of cropland to produce food for export and they rely on foreign sales for one-fourth of their marketing income.

American agriculture has taken the lead in world markets. Since the early 1970's our agricultural trade surplus has soared. This surplus has played a significant role in improving our trade balance and strengthening the dollar. We expect even more growth in agricultural trade and anticipate a record $46 billion in exports during fiscal year 1981--a 14 percent increase over last year. Imports, on the other hand, should amount to about $18 billion in fiscal 1981 which will give the United States an unprecedented agricultural trade surplus of $28 billion. I don't have to tell you how important this surplus will be in offsetting our chronic trade deficits in other areas. Those who say we are buying oil with wheat are not far from the truth.

How long can the American farmer keep up this export pace?

What is the outlook for foreign markets in the 198O's?

As you might expect, long-term forecasting of food supply and demand is not precise. A number of important variables--such as weather, international relations, and the economic health of purchasing countries--will affect actual market conditions, and these variables

become more indefinite the further you project into the future. Nonetheless, we feel that we have a pretty good handle on what world market conditions are likely to be in the eighties, and particularly during the next 5 years.

In the 1970's, foreign demand for U.S. agricultural products grew over 8 percent per year, compared to annual growth rates of 1.5 percent in domestic demand and 2.8 percent in U.S. output. These figures underscore our need to anticipate future world food needs and supplies. Although both population and economic growth rates are expected to decline in the '80's, changing per capita food needs and increases in the absolute number of people to be fed are likely to expand foreign food demand at a near record rate of 2.5-2.7 percent annually. We expect the demand for products in the eighties to be 25 to 50 percent greater than in the seventies.

On the supply side, increases in foreign food output in this decade are likely to slow to 2.1 to 2.4 percent per year. We anticipate that foreign producers will face dramatic increases in production costs and they will bring more marginal land into production. They also will have to place greater emphasis on accelerating growth in productivity. The cost of productivity gains is likely to increase as energy consuming inputs--including fertilizers, pesticides, and fuels as well as irrigation and machinery--become more expensive.

Given this supply and demand situation, purchases of food, feed, and fiber by other countries will continue to increase. The USSR and developing countries seem most likely to have larger food deficits. This will heighten demand for our exports and put increased pressure on U.S. production over the long term.

There are some problems down the road that are clouding the horizon for our agricultural exports in spite of the world's increasing demand for food.

First, the growing value of the dollar will make our exports increasingly expensive for overseas customers. For example, the relative price of U.S. wheat on world markets is rising because of the strong dollar, while the price of French wheat is declining because of the weakened franc. It is clear that we will have to redouble our efforts and market our products more aggressively. Second, the threat of increased protectionism is always present, as our trading partners and

competitors seek to shift the burden of adjusting to changing world economic conditions. Export subsidies, particularly by the European Community, have begun to interfere with the free flow of trade. Some bilateral agreements have had the same negative effect on trade. Third, major producers in South America, Europe, and other areas are giving us more intense competition, most notably as an aftermath of the recent Soviet embargo. Argentina and Brazil, for example, have now become increasing factors in world grain and soybean markets. And fourth, the costs of credit are making it harder for American producers to compete. For example, the costs of CCC loans are often higher than the costs of certain loans available to producers in the European Community. Some EC loans have interest as low as 8 percent over a two-year term.

To meet these challenges, the Reagan Administration has made the expansion of exports the number one priority for U.S. agriculture. Too often in the past trade policy has been little more than trade restraints in disguise. Portions of the Foreign Corrupt Practices Act and tax provisions for Americans overseas are two good examples of these kinds of restraints. I was pleased to hear that this committee recently acted on the tax issue. Exporters have often complained to me about how the double taxation of Americans abroad has restricted their market promotion work.

At USDA our policy is to expand exports by encouraging increased participation by the private sector and by decreasing Government interference in the market. We are restricting Government actions to areas where they best support the farm exporter--credit programs, negotiating with foreign governments and buying entities, and market intelligence. Our three specific goals at the Department are to: (1) ensure that American producers have access to foreign markets; (2) give exporters the market information they need; and (3) cooperate with the private sector in export promotion.

**Market Access**

The Administration's views on market access are clear. We are opposed to protectionism and favor freedom to trade. We believe that the market offers better solutions to trade problems than bilateral or multilateral agreements that allocate supplies, set prices, or divide up

the world market. The Administration endorses bilateral agreements only under very special circumstances. At present we support this type of agreement only with the Soviet Union, China, and Mexico.

The bilateral agreement with the Soviet Union was based on the need to offset that nation's variable production and its tendency to disrupt world markets. The agreement arguments our ability to prevent such disruptions particularly in the grain trade. The previous administration signed a minimum supply agreement with China and we intend to honor that agreement. Last we have an agreement with Mexico that supports important foreign policy goals and recognizes the special relationship we have with our neighbor to the south.

The Reagan Administration is concerned that export subsidies, import restrictions, and other protectionist devices will make world trade more unstable and limit its growth. In recent discussions with ministers of the European Community, I expressed our opposition to these trends. Among the issues I raised was the possible expansion of aggressive EC export subsidies that are already costing us markets for wheat and threatening our trade in other commodities. Other topics we discussed were EC talk of unbinding the zero duty on corn gluten, proposed EC internal taxes on vegetable oils that would hurt U.S. soybean exports, and the Community's slow implementation of a 10,000- ton quota for U.S. beef imports that was set by the Multilateral Trade Negotiations back in 1979.

I assured the EC ministers that we would respond aggressively to the unfair use of taxes or subsidies as trade restraints. On the beef issue, I am happy to report that Agriculture Commissioner Dalsager reaffirmed the EC's commitment to the 10,000 ton quota. I came away from my European meetings with the belief that Community leaders now realize the full extent of this Administrations' commitment to more liberal trade.

As part of our effort to maintain and expand access to foreign markets, the Department is establishing an early warning system to alert us to restrictionist actions abroad. In addition, we plan a Departmental study of nontariff barriers related to health, the environment and other considerations. We will also begin a special government-wide effort to review trade policies that are objectionable

to us, devise strategies to deal with them, and reestablish the image of U.S. strength in trade policy.

The success of America's food exporters depends more and more on accurate market information. At USDA we are updating our global telecommunications system to provide better and more timely information to agricultural marketers and government policymakers. It will give producers and traders timely production and marketing data, and it will make trade leads more readily available to U.S. exporters and their foreign customers.

The Department has also stepped up its activities in trade promotion. Among the actions we proposed is an expanded and more efficient export credit program. As a start, The President's budget includes an additional $300 million in export credit guarantees in fiscal 1981 which will bring total guarantees to $2.3 billion. This funding has been increased another $200 million in fiscal 1982.

As part of the Farm Bill we recommended a four-year extension of Public Law 480. Although the P.L. 480 programs are often viewed as strictly food aid, they have in fact played a very important role in building new markets for American exports. The number of nations graduating from P.L. 480 assistance to buying U.S. food exports commercially continues to grow. Among the former recipients are Japan--now approaching $7 billion market for U.S. farm goods--and Spain, Taiwan, and South Korea which are three other billion dollar markets for America's farmers.

USDA has a number of new initiatives aimed at market development. One seeks to expand sales of U.S. processed and semi-processed agricultural products. This effort focuses primarily on developing countries with high per capita incomes, namely the OPEC countries and a few others. These nations have the foreign exchange to pay for processed agricultural commodities and generally lack the facilities to process farm products domestically.

Also in the works is a new Food System Development program aimed at low income countries where inadequate marketing systems act as barriers to U.S. farm products. The U.S. private sector will be asked to join us in solving problems such as shortages of port capacity, lack of grain processing facilities, and poor distribution.

Another strategy for boosting sales is an intensive campaign to expand grain exports. The Soviet embargo caused stepped up production by our competitors. To counter this, we have targeted certain countries with growing market potential-beginning with Algeria, Brazil, Venezuela, Chile, China, and Morocco. We have recently had high level consultations with officials in these countries. Our goal is to beat the competition with better trade servicing, improved credit programs, and precise marketing plans to move specific amounts of grain in the 1981-82 marketing year.

These are only a few of our market promotion efforts. At every level we are working closely with producers and state departments of agriculture to generate more interest in exports. Producers who are cooperators with our Foreign Agricultural Service are being asked to join our trade teams and become even more intensively involved in USDA's promotion efforts.

With greater cooperation between the Government and the private sector, I am confident that we can overcome trade barriers, beat the competition, and keep up the pace in farm exports through the 80's.

Mr. Chairman, this concludes my statement. I will be happy to answer any questions.

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**Statement by Secretary of Agriculture John R. Block Secretary before the Joint Economic Committee, Subcommittee on Trade concerning U.S.-Japan Trade Relations July 13, 1981**

Mr. Chairman and members of the Committee, I appreciate this opportunity to meet with you to discuss the status of U.S.-Japan trade relations.

There is little doubt of the importance attached to agricultural trade by both the United States and Japan.

U.S. agriculture is the most productive in the world and farm exports are a leading growth sector for the entire U.S. economy. This fiscal year, U.S. agricultural exports are expected to reach $46 billion, 14 percent above last year's record $40.5 billion, and pay for

agricultural imports of $18 billion--leaving a favorable balance of $28 billion.

Japan has consistently been the largest single-country market for U.S. farm products since 1964. In 1970, it became the first billion-dollar customer for the United States. U.S. agricultural exports to Japan expanded rapidly in the 1970's, reaching $6.1 billion in 1980. Our agricultural trade surplus with Japan in 1980 was $6 billion, reducing the overall trade deficit to about $10 billion.

There are more acres in the United States devoted to production for export to Japan (more than 14.6 million) than Japan has available to produce for itself (less than 14 million acres).

Japan also benefits from importing U.S. agricultural goods. The cost of producing identical quantities of similar products in Japan would be several times Japan's import bill.

Much of the strength of the agricultural relationship between the United States and Japan stems from U.S. market development work that has been going on for nearly three decades. Today, the success of these efforts is clearly seen in increased use and sales of U.S. farm products in Japan.

Clearly, the relationship between the United States and Japan is one of interdependence. U.S. farmers need to export and Japan needs to import.

Today, I will try to highlight the structure of our agricultural trade with Japan, examine Japan's agricultural trade policy, and indicate areas in which we would like to see some improvement.

U.S. agricultural exports to Japan cover a wide range of products, from gourmet cheese to cotton, from sunflowerseed oil to papayas. However, in terms of value, approximately 86 percent of U.S. exports are of raw materials, including feed grains, wheat, soybeans, cotton, hides, tallow, soybean meal and forage crops. The balance of U.S. shipments includes consumer-ready goods, such as fresh and processed fruits, meats, nuts, vegetable oils, and processed foods.

Japanese agricultural policy has three main objectives--to maximize self-sufficiency, maintain farm incomes at a level equal to urban incomes and develop secure sources of food supply.

According to Japan's Ministry of Agriculture, Forestry and Fisheries (MAFF), food self-sufficiency dropped from 90 percent in 1960 to 73

percent in 1978. Japan is striving to maintain at least the current level of self-sufficiency however, even this will be difficult to achieve because of rising incomes, population and other factors.

Farm prices in Japan are supported through various mechanisms including support prices, deficiency payments, price stabilization schemes and import controls. Partly because of these supports, farm household income in recent years has been on par with or above urban wage earner income levels.

The Japanese often refer to "oil shock," the temporary U.S. soybean embargo of 1973, and periodic dock strikes in exporting nations as examples of Japan's vulnerability to cut-offs from foreign suppliers. Therefore, Japan has made an effort to ensure foreign food supplies are available for its needs. The United States has played the role of principal supplier, usually accounting for at least one-third of Japan's food and fiber imports. In 1980, the share was 40 percent.

The cornerstone of Japan's agricultural policy, the Agricultural Basic Law of 1961, provides for essential elements of support for domestic production and the authority to take action to curb imports if they threaten domestic prices. As a result of this policy, Japan generally favors the importation of bulk commodities and maintains more restrictions on consumer-ready farm goods.

I believe it is clear that we have done an excellent job with respect to helping meet Japan's own policy objectives on food security, providing over 90 percent of its soybeans, 55 percent of its wheat, and 65 percent of its feed grain requirements in the past decade.

At the same time, in return for secure supplies, we expect Japan to continue taking concrete measures to open its market, particularly for consumer-ready goods such as beef and citrus.

As you are no doubt aware, the U.S.-Japan "Wisemen's Group" recommended that both countries--but particularly Japan--should reduce protection in their farm sectors.

Briefly, here is a look at the direction the United States wants to go in improving access to the Japanese market.

Foremost is improved access for U.S. high-quality beef, oranges and orange and grapefruit juice. In the recently concluded Tokyo Round of the Multilateral Trade Negotiations (MTN's), Japan agreed to scheduled expansion of its quota levels for these items.

Basically, we regard the MTN implementation period for increases in the beef, orange and citrus juice quotas as a time of transition for Japanese agriculture. Therefore, we expect that in the new round of talks on high-quality beef and citrus, scheduled for the latter half of Japan fiscal year 1982, Japan should come forward with an agreement to liberalize its imports of these items substantially.

Other trade barriers:

--Tariffs. While Japan has made considerable progress in reducing its tariffs over the years, there remain a number of trade-restrictive duties. These and other tariffs should be the subject of government-to-government negotiations in the future.

--Plant and Animal Quarantine Regulations. These restrict the importation of live cattle and a variety of fresh produce. Although the Japanese have worked with us admirably to resolve some of the problems, we would like to expedite the resolution of these issues.

--Health Regulations. A key problem facing U.S. processed foods in Japan is concern regarding food additives. Emphasis should be placed on obtaining relief on items regarded as safe by international organizations.

--Japanese Rice Program. Japan's generous rice support program has had a number of adverse effects on U.S. trade. Clearly, Japan faces a dilemma in overcoming its surplus rice situation. But we feel Japan should make a stronger effort to reduce the effects of its rice policy on U.S. exports. Therefore, the United States will use every opportunity, including annual consultations, to seek further action by the Japanese to reduce the adverse effects of their surplus rice problem.

--Standards Regulations. We are hopeful that efforts to work out an agreement with the Japanese Government on plywood standards will open up this potentially large market for U.S. exports.

Thank you for this opportunity to discuss these matters with you.

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**Statement by Seeley G. Lodwick Under Secretary for International Affairs and Commodity Programs U.S. Department of Agriculture before the House Subcommittee on Asian and Pacific Affairs, July 16, 1981**

Mr. Chairman and members of the Subcommittee, I appreciate this opportunity to meet with you to discuss the status of U.S.-China agricultural trade relations.

There is little doubt of the importance of U.S. agricultural trade with China. In the 2-1/2 years since the United States normalized its political relations with China, that country has grown into our fourth largest overseas market for agricultural products. U.S. agricultural sales to China have multiplied nearly fourfold since the start of 1979, rising from $614 million in 1978 to a total of $2.2 billion last year. China has become our largest overseas market for both wheat ($1.1 billion) and cotton ($701 million). Other major U.S. agricultural exports to China last year included corn, soybeans and soy oil, tallow, and cattle hides.

Our growing agricultural trade with China has had a very positive impact on U.S. agriculture--which is the most productive in the world and a leading growth sector for the entire U.S. economy. Farm exports are growing rapidly and have become a key component in the agricultural sector. More than 100 million farmland acres are now used for growing crops for export. That's about equal to the combined size of Indiana, Illinois, New Jersey, New York, South Carolina and Hawaii. Roughly 5 million acres produce for China alone.

This fiscal year, U.S. farm exports are expected to reach $46 billion, 14 percent above last year's record $40.5 billion, and pay for agricultural imports of $18 billion--leaving a favorable balance of $28 billion. This is a trade balance that will come in handy in paying for imports of essential raw materials, manufactured products and petroleum. Our farm exports also sustain more than a million U.S. jobs, strengthen the dollar and cut tax costs for farm programs as well as unemployment relief. Without farm exports, and export-related jobs, the ranks of the U.S. unemployed in 1980 would have increased by about 20 percent.

## U.S.-CHINA AGREEMENTS AFFECTING AGRICULTURE

The agricultural relationship between the United States and China is bolstered by the Trade Agreement, the Grain Agreement, work by commodity trade groups in China and technical exchange teams.

Among the main features of the U.S.-China Trade Agreement which took effect in February 1980 was the mutual extension of most-favored-nation (MFN) treatment. The Chinese have repeatedly noted the large imbalance in their trade with the United States and have emphasized the importance of expanding exports to earn the hard currency with which to purchase imports.

In 1980, the United States exported to China agricultural products with a total value of $2.2 billion, while we imported from the Chinese only $133 million worth of farm products, a ratio of 16.5 to 1. Our major agricultural imports from China included feathers and downs, licorice root, essential oils, tea, bristles, canned mushrooms, honey and raw silk. The total U.S. agricultural trade surplus with China in 1980 was roughly $2.1 billion.

All U.S. imports from China--agricultural and nonagricultural--totaled to $324 million in 1978, $548 million in 1979 and $1,019 million in 1980. Agricultural imports represented approximately 26 percent of the total in 1978, but only 16 and 13 percent, respectively, of the values in 1979 and 1980. In contrast, agricultural products represented 71 percent of the U.S. export sales value to China in 1978, 58 percent in 1979 and 60 percent in 1980.

The Chinese would like the chance to correct the large imbalance in their trade with the United States through larger exports--and the lower duty rates that accompany MFN status have helped to make such Chinese agricultural products as water chestnuts, camel hair, patchouli, cornmint and peppermint oils, peanuts, mandarin oranges, kumquats and inedible preparations and glue more competitive with those of other foreign suppliers in the U.S. market.

Other provisions of the U.S.-China Trade Agreement that apply directly to U.S. agriculture would permit the eventual opening of a U.S. agricultural trade office to serve China and market development activities on the part of U.S. agricultural and trade organizations. An agricultural trade officer has been posted in Beijing since March. The agreement also reaffirmed that China could use the credit guarantee

program available through USDA's Commodity Credit Corporation.

The U.S.-China Grain Agreement, signed in October 1980, is aimed at smoothing out the pattern of U.S. agricultural trade with China, which was highly erratic during much of the 1970's. This agreement commits China to purchase and the United States to facilitate the supply of at least 6 to 8 million tons of grains annually over a 4-year period which began January 1 of this year. The agreement also specifies that China can purchase up to 9 million tons without prior consultation.

In addition, the agreement provides for annual consultations between the United States and China. It also specifies that all purchasing be done through normal private commercial channels at prevailing market prices. In the current year, China's purchases of U.S grains may top 8 million metric tons.

In 1979, the United States and China also signed an agreement on cooperation in science and technology and have already had numerous agricultural exchanges. During the current year, 24 teams are scheduled to make exchange visits in such areas as animal science, forestry and germplasm. These exchanges are of great benefit to the United States as well as the Chinese. For example, a team of U.S. entomologists just back from China brought with it a number of insects native to China which they believe may prove to be valuable agents in controlling various U.S. insect pests.

Ten U.S. market development cooperator groups are actively involved in projects in China. Their activities include exchanges of technical delegations in seeds and grasslands management, baking, feed processing, laboratory equipment and animal husbandry. The Chinese have repeatedly expressed their desire to work closely with U.S. cooperator groups in modernizing their agricultural sector and they are considering additional cooperator proposals on seeds, cotton, grains, oilseeds and livestock.

Quite obviously, U.S.-China trade relations have made rapid progress. However, there are still some actions which the United States needs to take to make sure that our exports can realize their full potential--and our trade relations can remain as amicable as in the recent past.

## CONSTRAINTS TO TRADE

Deputy Secretary of Agriculture Richard Lyng arrived back from China only a week ago. He led a government-industry team of U.S. grain specialists whose purpose in visiting China was to survey U.S.-China agricultural trade relations, develop specific plans for expanding use of U.S. grains, improve U.S. trade servicing and determine the likely level of Chinese grain purchases from the United States over the next few years.

Basically the team was optimistic about the long-term potential for U.S. agricultural sales, but they did learn of a number of potential constraints to U.S. agricultural trade in the near term.

For example, China's Vice Premier Yao Yilin, Chairman of the State Planning Commission, told the team that China will continue to rely on grain imports over the next few years to allow for faster development of light industry, more efficient adjustment of agricultural production and an increased standard of living. However, because of limited port and transportation facilities, the Chinese believe their imports from all countries will probably hold at about 15 million tons a year over the next few years.

The team also reported that the lack of a modern feed/livestock system is constraining U.S. grain sales. Modern feed milling facilities exist in only a few areas in China. There are also some problems with livestock breeding and management and animal health. Meat processing has not yet been modernized. Thus, there really is no way at this time for China to effectively use larger quantities of U.S. feed grains.

The lack of a corn processing industry also hampers U.S. feed corn sales, since the Chinese do not currently manufacture the corn sweeteners, germ extractions and other food and industrial corn products which could stimulate larger use. However, they would like to expand corn utilization and have asked for U.S. assistance.

## ACTIONS NEEDED ON THE PART OF THE UNITED STATES

Both the U.S. government and private industry have a role to play in relieving these constraints. For example, since inadequate port and transportation facilities were perceived by the Lyng team to be a major impediment to the further expansion of U.S. agricultural exports,

meetings should be held with the Chinese to explore possible technical and financial assistance programs that can be offered to tackle these problems under the cooperator, scientific exchange or federal loan programs currently in place.

A number of actions are appropriate to assist the Chinese to achieve the desired improvements in their feed/livestock system and in the development of a corn processing industry. We expect the U.S. Feed Grains Council, one of our cooperators, to take the lead in developing a systematic, long run approach to these points.

Also, although the U.S.-China Trade Agreement reaffirmed China's eligibility for purchases of commodities under USDA's credit guarantee program, the Chinese have not indicated any desire to use this program. The team discussed USDA's Credit Guarantee Program (GSM-102) with the Chinese. They indicated that the current high interest rates make the program unattractive at the present time. The team recommended that when interest rates do come down, the appropriate Chinese agencies should be informed about the consequent improvement in U.S. credit terms.

It is also appropriate at this time that several laws, enacted decades ago in a different political climate, be reassessed in the context of today's political and economic priorities. Of particular importance to our department is the Agricultural Trade Development and Assistance Act of 1954 (P.L. 480). We would fully support an initiative to review and revise legislative impediments to the full normalization of U.S.-China relations.

The P.L. 480 legislation, as presently written, contains several provisions generally accepted as precluding Chinese participation in the Title I concessional sales program. There is also some concern that Congress intended to preclude grant Title II food aid on a bilateral basis with China. This spring, disaster relief food aid of 10,000 tons of wheat was channeled through the multilateral World Food Program to China.

## MESHING U.S.-CHINA OBJECTIVES

Chinese agricultural policy is aimed at self-sufficiency in the agricultural sector over the long term. However, there are indications that U.S. trade objectives and Chinese production objectives can both be pursued profitably.

Agriculture has been given top priority in China's plans for modernizing its economy. The Chinese view increased agricultural productivity as the key to the evolution of a fully developed, more industrial economy.

Chinese sources say they need an average of 500 kilograms of grain per person in order to satisfy their food and feed needs. To meet this consumption level, China would have to produce 500 million tons of grain a year. However, in 1980, their grain outturn was only 318 million metric tons and the record 1979 harvest was only 332 million metric tons.

Grain production at the targeted level will require a substantial increase in China's use of fertilizer and agricultural machinery, which it does not now have the capacity to supply domestically. Consequently, the Chinese are very interested in importing technology and equipment, and will be looking for U.S. companies willing and able to supply these

In addition, the Chinese government is committed to improving the national diet, particularly protein consumption. Annual Chinese consumption of meat (exclusive of fish and poultry) is currently about 10 kilograms per person. The goal is to boost this to 25 or 30 kilograms by the year 2000. This means a large increase in the demand for inputs and facilities for modern, efficient livestock and poultry production. It has been estimated that the targeted level of meat consumption will require 100 million metric tons of feed corn and soybeans by the year 2000. This is a potentially huge market for U.S. producers.

Expanded livestock and poultry production also will require more sophisticated husbandry techniques. The United States has the most advanced agricultural genetics of any country in the world and U.S. breeding associations have been well represented in exchanges with with Chinese.

Changes in the Chinese diet will also create needs for improved processing, storage, transportation and marketing facilities and structures. Meeting their projected feed requirement for the year 2000, for example, will reqire a fivefold expansion in soybean crushing facilities.

Thank you for letting me discuss these matters with you.

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**Statement by Secretary of Agriculture John R. Block before the Committee on Agriculture, U.S. House of Representatives, July 22, 1981.**

Thank you, Mr. Chairman, for this opportunity to discuss with you and your committee current and future world hunger issues. I commend you for undertaking a thorough review of this complex subject. In the next few minutes I would like to share with you my thoughts about (1) the world food situation and outlook in general; (2) certain international agricultural policy issues; (3) recent U.S. involvement in international food organizations; (4) the actions we intend to take to help relieve the pressure of world hunger.

## WORLD FOOD OUTLOOK

World food supplies tightened significantly during the 1980/81 marketing year because of reduced crop production in major producing countries -- most notably the United States and the Soviet Union. World food production increased only fractionally, slipping below the trend of the last 20 years. Output failed to keep pace with population, which is increasing by almost 2 percent per year, and per capita food production actually decreased.

The poor harvests in 1980 were largely concentrated in the developed countries. The developing countries generally fared well, with record or nearrecord harvests reported throughout most of Latin America and large parts of Asia and Africa. Most African countries, except those in East Africa stricken with severe drought, harvested the largest crops in 10 years.

At the same time, these are the regions of most rapid growth in population, whhch in many cases is increasing faster than the ability to produce food. Population in Nigeria, for example, is growing at the rate of 4 per cent a year, four times its 1 percent growth in agricultural production in 1980.

Prospects for the marketing year that began July 1 are generally favorable, despite a tightening of world grain supply/demand prospects in the past month. Our forecast is for 1981/B2 world grain production

of about 1.6 billion metric tons, a record and 5 percent above output the previous year. We foresee a modest build-up in world stocks.

Over the longer term, the outlook is erratic. We expect alternating periods of excess and tight supplies, within a probable trend toward tighter world food balances during the next two decades. Major factors leading to tighter markets will be a growth in demand caused by increased income per capita in the oil exporting countries and the rapid growth of income in countries such as Korea and Brazil.

Population growth in the low income developing countries, while moderating slightly, will still consume most of the gains in their agricultural production.

The long-term solution to this growth in demand for food is to increase the productivity of agriculture worldwide, and to increase purchasing power in those countries which can.t produce to meet their needs. Our domestic and international policies are designed to accomplish this goal.

## U.S. AGRICULTURE'S ROLE

There is a tendency in considering world food security to overlook the role of commercial trade and to forget that many developed countries as well as the developing must look beyond their own shores to meet their food requirements.

Japan, for example, depends on imports for over half its caloric intake. Another example is the United Kingdom, likely never to be self-sufficient in food. Other industrial countries -- the Soviet Union for example -- depend increasingly on trade to meet food requirements.

As this Committee is well aware, American exports of farm commodities have increased dramatically over the past decade in response to the increasing food demand in all countries -- developed and developing.

World grain trade increased by more than 100 million tons during the 1970s and three-fourths of that increase was supplied by American farmers.

A significant factor in this dramatic growth in trade has been the rapid emergence of the developing world as a commercial market for U.S. agriculture.

In recent years, more than one-third of U.S. farm product exports go to developing countries, and this year that share will approach 40 percent -- $18 billion out of a total export market of $46 billion. Eighty-five percent of U.S. exports to developing countries are commercial sales, only 15 percent moving on concessional terms. Ten years ago, 50 percent of U.S. exports to developing countries were on a concessional basis.

It is increasingly clear that the economic and agricultural development assistance provided by the United States to developing countries has helped to move them closer to the mainstream of the world food economy.

Obviously, the P.L. 480 program of food assistance has contributed to world food security beyond the humanitarian aspect represented by the 287 million tons of food supplied to needy people during its 27-year history.

As the Congress intended, P.L. 480 has served multiple objectives-market development for U.S. commodities, support for economic growth in poor countries, humanitarian feeding of the hungry, and support of U.S. foreign policy goals. We intend that it continue to do so.

This Administration is committed to expanding agricultural exports, which in the past 10 years have become essential to a healthy U.S. farm economy as well as to the food needs of a substantial share of the world's people.

This fiscal year, about $46 billion worth of American farm products will be exported to some 150 countries, taking the production of about 138 million U.S. cropland acres -- almost two-fifths of the acres harvested.

Our domestic farm policies are designed to encourage full production for market needs. We plan no acreage set-asides or other diversion from food crops; we want to depend on the market for production signals.

At the same time, we recognize that agricultural land is a valuable and irreplaceable resource. Expanded production requires proper management of the land. I am totally committed to preserving our prime agricultural lands and to maintaining or increasing their long-term productivity. We seek a balanced level of production, one that will

maintain farm incomes, help meet world food needs, and conserve our productive resources for future generations.

While we intend to intensify our export efforts, we are mindful of our responsibilities for world food security. Our farmer-owned grain reserve is in place to assure the availability of grain for export as well as to absorb plentiful supplies.

Our grain reserve policies are based on our belief that the responsibility for carrying reserves of food for the world should not be borne by the United States alone. It should be shared by all major countries.

We continue to oppose internationally-coordinated reserves. Our emphasis is toward encouraging other countries to establish national grain reserves to enhance domestic, regional, and global food security.

We have met our own responsibility. U.S. grain reserves have helped stabilize food supplies and prices worldwide. Our Food Security Reserve of 4 million tons of wheat and the farmer-owned reserve are intended to help us meet our future international trade and food aid commitments. It is time for others to begin to carry their share of the burden.

## INTERNATIONAL POLICY ISSUES

Our trade policies are based on the belief that expanded and liberalized trade is the best way to get food to where it is needed in a world of increasing interdependence.

Trade barriers work against the efficient production and distribution of agricultural products. We are concerned by measures increasingly taken by some countries to insulate and stabilize their food supplies at the expense of the orderly movement of trade.

Such devices as variable levies, subsidies and others tend to destabilize prices and supply availability in third countries, and this price instability falls hardest on low-income countries, with the neediest countries suffering the most.

We will continue to encourage other nations to remove these artificial barriers to trade and to let the market work for the benefit of all. Our message to our trading partners has been clear: the United States intends to compete vigorously and fairly in the world market, and it expects other countries to do the same.

Our emphasis in trade development is focusing increasingly on the developing countries. As the Committee knows, this type of effort in the past has succeeded not only in sharply increasing U.S. agricultural exports to targeted countries, but our technical assistance has helped them to move into the economic mainstream.

Japan in the distant past and Korea and Taiwan more recently-- commercial markets worth billions of dollars -- are notable examples of what judicious use of P.L. 480, export credit and cooperator market development projects can do.

In this new effort, we are concentrating first on countries in Latin America and North Africa, and on China. Last month we sent grain trade missions, representing both government and private enterprise, to those countries to assess their needs for grain and to offer assistance in meeting them.

These missions were highly successful, and I will encourage future exchanges of marketing professionals with these and other countries.

## INTERNATIONAL ORGANIZATIONS

As you know, there are many international organizations concerned with food and agricultural problems, and the United States is a willing participant in these.

In May, I led the U.S. delegation to the 7th Ministerial Session of the World Food Council meeting in Novi Sad, Yugoslavia. This provided the forum for about 40 Ministers of Agriculture to meet and share concerns, ideas and proposals for world food security as well as to establish or further develop cooperative relationships on a personal basis.

This gave me the opportunity, in an address to the Council and in private conversations, to discuss U.S. food and agricultural policies.I emphasized our effort to encourage agricultural production to meet world food needs within a market framework, and I stressed the need for international cooperation in fostering, rather than restricting, trade if the world is to be adequately fed.

I described the important role of U.S. development assistance to low-income food deficit countries, but pointed out that the responsibility for increased food production and food security in most of these countries lies primarily with their governments.

In June, Under Secretary Lodwick led the U.S. delegation to the Council meetings of the UN Food and Agriculture Organization in Rome, the purpose being to join with other nations in furthering world food objectives. To paraphrase the preamble to the FAO constitution: (1) The levels of nutrition and standards of living of peoples in all the member nations of FAO have not yet been raised to satisfactory levels; (2) the improvements in the efficiency of production and distribution of food and agricultural products have not been secured to the extent we are capable; and (3) the conditions of rural populations has not been raised to acceptable levels.

## U.S. CONTRIBUTION TO EXPANDING WORLD AGRICULTURE

For the future, I see this approach to world food problems:

First, the United States will protect its agricultural resources to insure our continued role as the world's major supplier of food in international trade.

Second, we must continue to meet short-term food needs of people that result from natural disasters and political disruptions through both commercial and concessional channels.

Third, the United States must continue to make major contributions to improving the long-term food production capability of many low-income countries. In this endeavor, the Department works closely with the Agency for International Development in activities designed to anticipate and respond to international food problems. In some countries this already has proved to be the economic base for their full-fledged participation in the world food economy, and it can do the same in others.

And fourth, we must intensify our agricultural research. I am enthusiastic about some recent developments in plant breeding, processing, tillage, and genetic engineering which will increase our agricultural production potential. These research results have international applications that can improve yields in other countries, reduce post-harvest losses, and increase food processing efficiency. I am confident we have not reached our production potential.

We currently promote joint, cooperative research projects with many countries and encourage the exchange of scholars and researchers with

cooperating nations. Our universities and the agribusiness sector are involved in this effort. USDA also conducts agricultural training courses and provides technical assistance to improve the human and institutional resources necessary to grow and market foodstuffs and fibers. We cooperate with American agribusiness firms to facilitate their role in utilizing their technical expertise to solve agricultural problems and develop markets in developing countries.

I must emphasize that in all of this, the burden in the end lies with the governments of the food deficit developing countries. It is up to them to make the tough decisions necessary to meet the goal of greater food self-reliance--to be able to grow or trade for the needs of their individual countries.

Food and agricultural issues are important to this Administration. So much so that the President has established a Cabinet Council on Food and Agriculture to review at the cabinet level important issues and to make policy recommendations. As Secretary of Agriculture, I chair this Council. In addition, the Department of Agriculture plays a leading role in the administration of the P.L. 480 food assistance program by chairing both the interagency policy and working level groups that address food assistance decisions.

We can depend on U.S. farmers and the rest of the U.S. food system to respond to appropriate market incentives to meet their share of future world food demand. Farming is a business--an integral part of our national economy--and its response is highly dependent on effective foreign, monetary, tax, and trade policies.

In conclusion, let me say that America -- its agriculture, its citizens, its Congress -- can feel proud of our performance in this vital area over the years. American agriculture supplies half the grain imported by the world. It is a major and constructive force in fighting world hunger. Decisions made in this Committee, and in Congress and in the Administration will bear heavily on how much and how well the world eats in future years. We are fully aware of the goals ahead of us and we are dedicated to achieving those goals.

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# Press Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

## INDIA RESUMES LARGE SCALE IMPORTS OF U.S. WHEAT

WASHINGTON, July 10--India is resuming large scale purchases of wheat from the United States, buying 1.51 million tons in the past several days, according to Secretary of Agriculture John R. Block.

"The Indian purchases are particularly significant because they represent the first major imports of wheat by India since 1977," Block said.

Reports of sales received thus far under USDA's export sales reporting system indicate 805,000 tons of the wheat purchased is western white, which will be shipped from Pacific Northwest ports, and 470,000 tons is hard red winter, which will be shipped through Gulf and Pacific ports.

Based on the size of this week's purchases from the United States, it seems probable that India's total wheat imports from all countries will be somewhat higher than the 2 to 3 million tons forecast last month by USDA's Foreign Agricultural Service, Block said. The actual level of imports will depend heavily on market conditions in the weeks ahead as well as the pattern of sales through India's public distribution system over the next several months.

Block said India's decision to resume imports primiarly reflects the desire to replenish government stocks as a result of a steady decline in the level of these stocks over the past few years due to rising domestic consumption and lower-than-targeted levels of domestic procurement. "However," Block said, "India recently harvested a relatively large wheat crop, and has not suffered a serious shortfall in its wheat crops for several years."

Prospects for this year's all-important autumn crop of food grains are favorable at the present time, since the summer monsoon is progressing satisfactorily, Block said. USDA currently expects the autumn crop to be normal or above-normal in size.

The India Supply Mission, which is operating out of the Indian Embassy in Washington, is arranging these purchases through

invitations for bids, sent directly to potential suppliers, followed by a public opening of the bids and subsequent negotiation with lowest bidders to finalize details.

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## U.S. GRAIN TEAM REPORTS HEAVY SALES COMPETITION IN MOROCCO AND ALGERIA

WASHINGTON, July 10--A U.S. government-industry team which recently returned from North Africa reported to Secretary of Agriculture John R. Block today that heavy competition from subsidized French grain is cutting into U.S. market shares in Morocco and Algeria.

According to team leader Thomas A. Hammer, designated deputy under secretary for internatonal affairs and commodity programs, the two countries together are expected to import 5.6 million metric tons of grain in 1981/82, with some 1.3 million tons coming from the United States. This compares with imports in 1980/81 estimated at 4.6 million tons, of which the United States supplied 1.6 million, he said.

Hammer said that both countries offer potential for market expansion, given their rising import needs, but short-term prospects have been clouded by stiff competition from subsidized French wheat, as well as by higher prices for U.S. grain arising from the strength of the dollar.

As of the first of July, maximum subsidies on French grain exports to the region were $68 per ton for soft wheat and $55 for barley. High U.S. interest rates also have inhibited sales, since France is selling wheat to Morocco on credit terms that offer an average 8 percent rate over a two-year period.

Hammer said Morocco will buy about 800,000 tons of U.S. grain in 1981/82, compared with 749,0O0 the previous year. That country needs to import at least 3 million tons of grain this year--a third more than in 1980/81--to compensate for a 50-percent reduction in its drought-affected grain crop, he said.

Despite the strong competition in the market now, Moroccan government and trade officials reiterated their continuing preference for

U.S. wheat and their desire for strong ties with the United States, Hammer said.

Of the $100 million of fiscal 1981 U.S. GSM-102 credit guarantees provided for the export of U.S. wheat to Morocco (with interest at commercial rates), approximately $53 million had been used by the end of June.

During the team's visit to Morocco, the groundwork was laid for a $2O-million Title I, Public Law 480 program which has since been implemented. Also an additional $2.8 million was authorized for drought emergency assistance to Morocco under Title II of P.L. 480.

Algeria is expected to boost its grain imports to 2.6 million tons in 1981/82 from 2.4 million the year before, but take less from the United States.

Hammer said meetings with government and trade officials during the 12-day trip provided an entree for further consultations and cooperation with both countries. He said he anticipates exchanges of trade and government teams from both countries, expanded U.S. market development work and greater use of U.S. government credit programs as a means of enhancing further sales to these important markets.

Other team members were Lemuel Anton Braunagel, secretary/treasurer, U.S. Durum Growers Assn.,; Howard Mueller, chairman, Iowa Corn Promotion Board; Edward O'Rourke, vice president for export marketing, Union Equity Cooperative Exchange; and Charles Pence, export credits, Foreign Agricultural Service, USDA.

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## CHINESE GRAIN GROUP TO DISCUSS FURTHER U.S.-CHINA COOPERATION

WASHINGTON, July 13--Deputy Secretary of Agriculture Richard E. Lyng said today a high-level delegation from the Chinese Ministry of Cereals will visit the United States soon to continue discussions on grain trade cooperation begun when a U.S. grain team headed by Lyng visited China last month. Dates have not been set.

Lyng said the Chinese visit should provide the framework for further joint efforts that will be necessary to improve China's grain handling capacity and modernize its baking, milling, livestock and feed processing systems to boost grain use.

"Their interest in improving their grain use system is across-the-board," Lyng said. "It includes equipment, technical information and, what I think is most important, a desire to work closely with U.S. industry and the U.S. government to achieve their goals.

"We were met with friendliness and sincere warmth at every stop and the Ministry of Cereals readily accepted our invitation for a reciprocal visit," he said. "I believe Vice Premier Yilin summed it up well when he said the USDA cooperation with the Ministry of Cereals was off to a good start and that this joint effort has his full support."

The Lyng team of government and private sector grain specialists traveled to China June 22-July 1 to assess technical needs and other needs for expansion of U.S. grain exports. En route from China, Lyng paid courtesy calls on officials in South Korea and Japan, returning to Washington last week.

Lyng said the China team met with Vice Premier Yao Yilin, held five sessions with the Ministry of Cereals, met with seven other government organizations, and visited storage, milling, baking, importing and retail facilities.

He said team members and their hosts identified three major constraints to expansion of China's grain imports. They are:

--Port facilities and transportation capacity, which are likely to limit total grain imports from all sources to roughly 15 million tons a year.

-- The state of the feed and livestock systems, which lack modern feed milling facilities and livestock production, processing and marketing expertise.

-- The lack of a corn-processing industry, which limits demand for corn.

Lyng said he is recommending to Secretary of Agriculture John R. Block that the problems of port and transportation facilities be addressed through the U.S.-China scientific exchange program and the U.S. Feed Grains Council and U.S. Wheat Associates, Inc.

The two grain groups are non-profit organizations formed by U.S. producers and traders to work with USDA in foreign market

development. Both were represented on the team to China, where both have technical assistance projects under way.

Lyng said China will import a total of about 14.5 to 15 million tons of grain this year, which is just about capacity for its handling system. The U.S. will supply about 8 million tons, most of it wheat, which makes up four-fifths or more of total Chinese grain imports.

"Long-term market expansion will depend first on increasing the capacity of Chinese port and transportation systems and second on our ability to work with the Chinese to increase their use of wheat and feed grains," he said.

Lyng said his suggestion that the programs of Wheat Associates and the Feed Grains Council in China are expanding rapidly enough to warrant the opening of offices there met a positive response from Ministry of Cereals officials.

He said there also is opportunity in the future for significant corn imports for industrial use, with the Ministry of Cereals determined to develop a corn processing industry to produce sweeteners, germ extraction and other food and industrial uses.

U.S. grain exports to China last year totaled about 7.8 million tons, including 6.1 million tons of wheat and 1.7 million of corn. Total U.S. agricultural exports to China in 198O were $2.2 billion, double the 1979 total.

The team was the third in six weeks sent by Secretary Block to countries with high import potential to discuss ways to expand U.S.grain exports with officials of government and the trade in host countries. The other teams visited Latin America and North Africa.

Besides Lyng, the U.S. China team members were E. Thurman Gaskill, chairman of the U.S. Feed Grains Council; Harrell Ridley, vice chairman of U.S. Wheat Associates, Inc.; Myron Laserson, Continental Grain Co.; and LaVern Becker, FarMarCo, representing U.S.grain producers and exporters and USDA employees Robert Svec, David Culver and Charles Liu.

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## DAIRY FARMERS TO VOTE ON CHANGING 29 MILK ORDERS

WASHINGTON, July 13--The U.S. Department of Agriculture is asking affected dairy farmers if they approve of a final decision that would amend price announcement procedures in 29 federal milk marketing orders. The results are scheduled to be compiled within 30 days.

Herbert L. Forest, dairy official with USDA's Agricultural Marketing Service, said the final decision would provide that the Class II price for a particular month be announced on a tentative basis by the 15th day of the preceding month. This decision is based on the only proposal supported at a public hearing in Clayton, Mo., last August.

The final Class II price could not be less than the Class III price for that particular month. The final Class II price would be announced by the fifth day of the following month when the Class III price is announced. Dairy farmers are paid Class

II prices for that portion of their milk that is used to make such products as yogurt, cottage cheese and ice cream. A lower Class III price is paid for milk used to make butter, hard cheese and nonfat dry milk. Fluid milk commands a higher price, Forest said.

The hearing to consider changing the Class II price announcement procedures in the 29 orders was necessitated by an order of the U.S. Court of Appeals for the District of Columbia, which ruled the existing announcement procedures invalid.

The final decision will be printed in the July 14 Federal Register, available at many public libraries.

The 29 milk orders that would be affected by the recommended decision are: St. Louis-Ozarks, Georgia, Tennessee Valley, Chicago Regional, Southern Illinois, Louisville-Lexington- Evansville, Indiana, Central Illinois, Greater Kansas City, Nebraska-Western Iowa, Upper Midwest, Neosho Valley, Wichita, Eastern South Dakota, Iowa, New Orleans-Mississippi, Greater Louisiana, Memphis, Nashville, Paducah, Fort Smith, Red River Valley, Oklahoma Metropolitan, Central Arkansas, Lubbock-Plainview, Texas, Central Arizona, Texas Panhandle and Rio Grande Valley.

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## USDA PROPOSES TO REMOVE SCREWWORM INTERSTATE MOVEMENT REGULATIONS

WASHINGTON, July 13--The U.S. Department of Agriculture is proposing to remove all screwworm inspection and spraying or dipping requirments from its regulations for moving cattle interstate.

John Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Sevice for veterinary services, said the effect of the proposal would be to remove interstate movement regulations from the 39 counties in southern Texas--the only areas now subject to this requirement.

"Surveillance activities of the successful screwworm eradication effort indicate that regulations no longer considered necessary should be removed," Atwell said. Only two screwworm cases were reported in 1980, and five cases so far in 1981.

The present screwworm eradication program, a cooperative effort of the United States and Mexico, has progressively moved the barrier zone of screwworm flies southward into Mexico, and will ultimately establish a barrier zone against the parasitic pest at the Isthmus of Tehuantepec in Southern Mexico. Screwworms are eradicated by a combined program of surveillance, prevention and biological control measures, Atwell said.

Screwworm are parasitic larvae of blowfly species that feed on the healthy flesh of warmblooded animals. Infestations begin when the female screwworm fly lays eggs on an open wound; the larvae hatch, enter the wound and feed until they emerge to complete development in the soil as pupae. Untreated infestations seriously injure livestock and wildlife, and in some cases may even kill the animals.

Notice of the proposal is scheduled to be published in the July 15 Federal Register. Comments on this proposed rule should be sent on or before Sept. 14 to deputy administrator, USDA, APHIS, VS, Room 870, Federal Building, Hyattsville, Md. 20782.

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## FIVE AIRPORTS REGULATED FOR JAPANESE BEETLES

WASHINGTON, July 14--The U.S. Department of Agriculture has designated five airports as "regulated" for Japanese beetles.

They are: Dover Air Force Base, Del.; McGuire Air Force Base, N.J.; Baltimore-Washington International Airport, Baltimore, Md.; Port Columbus International Airport, Columbus, Ohio; and the Greater Cincinnati Airport in Covington, Ky.

"Beetle numbers have become so high that we've had to regulate these airports so departing planes won't carry beetles to uninfested areas," said Scott Campbell, Assistant Deputy Administrator of USDA's Animal and Plant Health Inspection Service.

When an airport is regulated, Campbell said, airlines must use mechanical or chemical means to keep the beetles off aircraft. Mechanical beetle barriers include sealed entryways to airplanes and screened service entrances for airplane galleys. Properly used mechanical barriers are an excellent non-chemical alternative for beetle exclusion, Campbell said.

"We expect that still more airports will have to be declared regulated in the next several weeks, since we are now getting into heavy Japanese beetle emergence season in the eastern U.S.

"USDA plant protection and quarantine officers monitor buildup of adult beetle populations at airports," Campbell said. "When beetles are found flying around aircraft, vegetation in the ramp areas is treated to reduce the population. If this procedure doesn't reduce numbers, the officers declare the airport regulated."

The precautions are to keep the beetles from being transported to uninfested western states and foreign countries, Campbell said. Beetles are attracted to large metal objects. They climb through openings in parked aircraft or are loaded with the cargo, he said.

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## USDA SCIENTISTS BRING NATURAL ENEMIES OF U.S. INSECT PESTS FROM CHINA

WASHINGTON, July 15--A team of U.S. Department of Agriculture entomologists has returned from China with insects that are

natural enemies of some of the aphids and mites that attack cotton, tobacco, vegetables, citrus, and other crops and trees in the United States, according to Joan Wallace, director of USDA's Office of International Cooperation and Development.

Wallace said the natural enemies, brought from China by scientists from USDA's Agricultural Research Service, include green lacewigs, predatory mites and parasitic wasps.

Wallace said the insects would be studied under quarantine conditions in U.S. laboratories for at least a year and, if found to be effective against targeted insect pests, would be field tested for at least another year. Then, if they do not harm nontargeted insects, the natural enemies would be made available for wider use in integrated pest management programs. This approach combines biological, chemical and other means to help control insect pests, she said.

Research on the Chinese insects will be conducted at three locations:

-- Cornell University, where researchers will experiment with lacewigs to help control cotton, tobacco and other insect pests;

-- University of California, Riverdale, where work will be done with predatory mites to determine their effectiveness in attacking other mites that affect vegetables, citrus, and other crops; and

-- the USDA Beneficial Insect Research Laboratory at the University of Delaware at Newark, where research will be done with wasps that are parasites of gypsy moths and other forest caterpillars.

Wallace said the two countries are exploring the possibility of collecting other natural enemies of insect pests and arranging cooperative research to make better use of biological controls over destructive insects, weeds, and plant pathogens. Because many of the insect pests which affect U.S. agriculture are not natural to the United States, researchers want to find natural enemies of destructive pests in their native habitat, she said.

Arrangements for cooperative insect identification also are being explored, she said, because exact identification of insects is critical in determining which are beneficial or harmful.

The United States team carried to China species of U.S. wasps, parasitic on aphids and caterpillars, for research and potential use in China's own integrated pest management program, Wallace said.

Lloyd Knutson, chairman of the Insect Identification and Beneficial Insect Introduction Institute, Agricultural Research Service and Robert D. Gordon, an ARS specialist in predatory beetles, formed the team which visited China.

Wallace said this was the fourth U.S. scientific exchange team to complete a research trip to China this year. Eight more U.S. teams will visit China in 1981, with 11 Chinese delegations to visit the United States before the end of the year, she said.

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## USDA RESTRICTS DANISH HORSE IMPORTS BECAUSE OF CEM

WASHINGTON, July 15--Import of horses from Denmark is being restricted by the U.S. Department of Agriculture following reports that contagious equine metritis has been diagnosed in a Standardbred mare in that country.

This makes Denmark the tenth country affected with this highly transmissible venereal disease of horses since it was discovered in 1977. The other affected countries are Australia, Belgium, France, Ireland, Italy, United Kingdom, West Germany, Japan and the United States.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said because of the disease, Denmark will be prohibited from exporting mares to the United States.

Stallions over two years of age can only be imported if they have been treated with an approved medication under government supervision, found negative for the disease on three successive tests, passed by USDA quarantine and shipped to specified premises in a state that has agreed to carry out further inspections, treatments and testing under state quarantine, he said.

Atwell said geldings and horses under two years of age may continue to be imported from Denmark.

Danish animal health officials report that the disease has been isolated on three occasions in that country. The epidemiological investigation strongly suggests that the disease has been in Denmark since 1978, Atwell said.

Atwell said 56 breeding horses imported from Denmark since Jan. 1, 1977, will be listed as "risk arrivals" and owners will be contacted and requested to have their animals tested for the disease.

Contagious equine metritis is a highly contagious bacterial infection that primarily affects mares. It causes early abortion or failure to conceive. The stallion is a carrier, and can be freed of the bacteria by disinfection followed by treatment of genitalia with specific antibiotics. Antibiotics are used to free mares of the infection, but treatment is not always successful.

Notice of this action, which is effective immediately, is scheduled for publication in the July 20 Federal Register. Public comments, prior to official review, may be submitted through Sept. 18 to the deputy adminstrator, Veterinary Services, APHIS, USDA, 6505 Belcrest Rd., Hyattsville, Md. 20782.

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## GRAIN AGENCY SEEKING NOMINATIONS TO ADVISORY COMMITTEE

WASHINGTON, July 15--The U.S. Department of Agriculture will accept nominations for a new advisory committee for USDA's Federal Grain Inspection Service until Aug. 3. Kenneth A. Gilles, administrator of the agency, said the 12-member committee, representing all segments of the grain industry, will advise the agency on ways to implement the U.S. Grain Standards Act efficiently and economically.

Legislation to establish the committee is currently pending before Congress, Gilles said.

"We're requesting nominations now so that Secretary of Agriculture John R. Block will be able to appoint committee members within 30 days after the legislation to form the committee is enacted," said Gilles.

Nominations, which should include the name of the nominee, home address, employer, occupation and title and major source of income, should be sent to: Kenneth A. Gilles, administrator, FGIS, USDA, Washington, D.C., 20250.

Notice of the request for nominations will be published in the July 16 Federal Register.

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## 93 CAMPGROUNDS IN 8 STATES REGULATED TO HELP PREVENT SPREAD OF GYPSY MOTH

WASHINGTON, July 16--U.S. Department of Agriculture officials have imposed emergency regulations on recreational vehicles moving interstate from 93 campsites in eight northeastern states to prevent the spread of gypsy moth from these infested areas.

The 93 infested campsites are located in Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennyslvania and Vermont. However, 11 New Jersey and Pennsylvania campsites listed as infested in 1980 have been removed from the list.

Harvey Ford, deputy administrator of USDA's Animal and Plant Health Inspection Service, said the threat that gypsy moths could be carried across the nation makes it necessary to inspect vehicles and equipment leaving the infested campsites. Vehicles will be inspected during the remainder of the camping season, when gypsy moths might be transported to non-infested areas. Plant protection officials will destroy any infestations found on recreational vehicles and equipment.

Ford said the potential for the spread of gypsy moths is vastly increased by the insect's tendency to lay eggs in sheltered places, such as tent awnings or the underside of vehicles.

Gypsy moths, in the caterpillar stage, are a major pest of forest trees. Caterpillars defoliate an average of nearly a million acres of trees annually over the last five years, primarily in the northeastern states.

Comments on the emergency action should be sent, before Sept. 11, to: T. J. Lanier, Regulatory Support Staff, Plant Protection and Quarantine, USDA, APHIS, Room 633 Federal Building, Hyattsville, Md. 20782.

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## CCC CORN, GRAIN SORGHUM PRICING POLICY ANNOUNCED

WASHINGTON, July 17--A policy geared toward minimum disruption in market prices was announced today by Secretary of Agriculture John R. Block for the sale of Commodity Credit Corporation (CCC) uncommitted stocks of corn and grain sorghum.

Only a portion of the stocks will be sold at the minimum sales price, under the policy. Bids on additional increments will be accepted at succeedingly higher prices, or at later dates.

"I think it is important to note that we will not be selling from these inventories, even at the minimum price, until we are certain that the market will not be greatly disrupted," Block said. "This scale-up pricing strategy will allow the market to determine how much and where grain will be sold, once we decide to sell."

The minimum sales price, which will vary by location, will be calculated as follows: 115 percent times the county loan rate plus carrying charges for interest storage, and handling -- except for certain inland and port terminal locations will be shown in the offering. The carrying charges will be 54 cents per bushel for both corn and grain sorghum. The national average minimum sales price will $3.13 per bushel for corn and $3 per bushel for grain sorghum.

There were 199 million bushels of corn and 13.9 million bushels of grain sorghum in the uncommitted CCC inventory as of July 2. Most of the corn was purchased by the CCC to stabilize markets after the Soviet grain embargo was announced. The grain sorghum was forfeited to CCC under the price support program.

Farmers and livestock feeders will be encouraged to bid on CCC stocks under a new procedure which allows bids to be accepted on quantities as low as 1000 bushels. County ASCS offices will serve farmers as a source of information in regard to these sales.

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## USDA PROPOSES FEE INCREASE FOR VOLUNTARY RICE INSPECTION

WASHINGTON, July 17--The U.S. Department of Agriculture has proposed increasing fees for federal rice inspection services at the end of August, a USDA official said today.

Kenneth A. Gilles, administrator of the Federal Grain Inspection Service, said rice inspection services are not required by law, but are provided on request from the industry.

He said the proposed increase is necessary if USDA is to continue providing rice inspection services, and to bring fees as close as possible to costs of providing services, as required under the Agricultural Marketing Act of 1946.

If approved, USDA plans to implement the fee increase by the start of the new crop year.

Rice inspection fees were raised 15 percent in August 1980, after being lowered 10 percent in 1977 and 10 percent in 1978.

Gilles said the proposed fee increase is being coupled with cost-saving measures to reduce USDA' costs of providing rice inspection services.

Applicants will be able to obtain rice inspection services at reduced rates by contracting with USDA to use a specified minimum number of hours during specified periods.

Contracting assures USDA of a constant workload, helps to determine the number of workers needed and reduces costs, Gilles said.

Proposed new fees for providing services under contract during daylight hours are $21.60 per hour, up from $17. Contract services at night would cost $26 per hour, up from $20.40, and $30.60 per hour for holiday work, up from $24.

Hourly fees for non-contract daytime service, Monday through Friday, would be $28.80, up from $21.60. Fees for night work would be $33 per hour, up from $24.80, and for holiday work would be $37.60, up from $28.20.

USDA is also proposing to establish a priority non-contract inspection service at a higher fee.

Gilles said this will make it possible for applicants to obtain service in an emergency situation if they are willing to pay the higher fee.

Under priority rates, USDA will make rice inspectors available for temporary duty from other rice inspection offices as needed. The special fee is meant to recover the costs of detailing workers from other offices.

Proposed fees for priority non-contract service are $41.8O per hour for day work, $44.60 for night work and weekends and $50 per hour for holidays.

The proposal will be published in the July 21 Federal Register. Comments must be submitted by no later than Aug. 20, to the Issuance and Coordination Staff, Rm. 1127, Auditors Bldg., USDA/FGIS, Washington, D.C., 20250.

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## REVIEW TEAM SEEKS INFORMATION ON FRUIT, VEGETABLE MARKETING ORDERS

WASHINGTON, July 17--A team appointed by Secretary of Agriculture John R. Block to review federal marketing orders for fruits, vegetables and specialty crops has asked the public to offer data and information on the subject by Aug. 1.

"We want public comment on all aspects of these programs from producers, handlers and consumers," said Richard Heifner, the team leader. Heifner is an economist with the U.S. Department of Agriculture's Agricultural Marketing Service.

"We want comment on the effect on production and size of each commodity industry, costs of marketing, farm price and income levels and stability, product quality, wholesale and retail prices, consumer product knowledge and products choices available," Heifner said.

He said his team is also interested in receiving studies and analyses that assess alternatives to marketing orders.

The President's Task Force on Regulatory Relief called for the review, with a goal of eliminating any marketing order regulations that are not needed or that hamper productivity, Heifner said.

"After we put together the best possible analysis of marketing order effects, taking into account public comments we receive, we'll identify legislative and administrative options available and assess the probably

effects of following each one," he said. "These will be detailed in a report."

Authorized by law, federal marketing orders give agricultural producers and handlers means of coping with particular marketing problems they have. There are currently 48 programs which, during the 1979-80 season, covered products worth about $5.2 billion at the farm. Included are nearly all the nation's fresh citrus fruits, fresh pears, nectarines, olives, raisins, prunes, walnuts, almonds, filberts, dates, papayas, peanuts and even specialty items like hops and spearmint oil.

Comments should be sent to: Richard Heifner, AMS, 3063-S, USDA, Washington, D.C., 20250. Statements longer than 10 pages should be accompanied by a summary.

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## NEW INSPECTION MARK ADOPTED TO IDENTIFY IMPORTED HORSEMEAT

WASHINGTON, July 20--Horsemeat and other equine meat products which have passed import inspection will be identified with a hexagon-shaped inspection mark--rather than a circle--after today under a new U.S. Department of Agriculture regulation.

Donald L. Houston, administrator of USDA's Food Safety and Inspection Service, said current federal meat inspection regulations require that official plants in this country use hexagon-shaped inspection marks for equine products, with circle-shaped marks applied to other species.

"Today's action will carry over this same distinction to equine products wich have passed import inspection and eliminate misidentification of these products from other species," Houston said.

The regulation will help stop the accidental or intentional substitution of horse, mule or other equine meat and meat food products for that of other species, such as cattle, sheep, swine and goats.

Currently, all imported meat products have a circle-shaped mark, regardless of the species of the meat.

Houston said under today's final action, official import inspection stations would furnish their own marking devices rather than have the brands furnished by USDA.

A proposal concerning today's action was first published in the Dec. 12, 1980, Federal Register. A total of 23 comments were received, most in favor of the proposal, Houston said.

The final regulation is scheduled to be published in the July 24 issue of the Federal Register, available at many public libraries.

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## THOMAS A. HAMMER NAMED DEPUTY UNDER SECRETARY OF AGRICULTURE

WASHINGTON, July 20--Secretary of Agriculture John R. Block today appointed Thomas A. Hammer, of Falls Church, Va., to be deputy under secretary of agriculture for international affairs and commodity programs.

In his new position, Hammer will help formulate and administer policies for USDA's Agricultural Stabilization and Conservation Service, Federal Crop Insurance Corporation, Foreign Agriculture Service and Office of International Cooperation and Development.

Before his appointment, Hammer worked as an agricultural consultant for several agricultural businesses and as national affairs director with the American Farm Bureau Federation here. During 1974-75, he worked as an economist with Mitsubishi International Corporation in Washington. He has also worked as a banker and served as a pilot in the U.S. Navy.

Hammer earned a bachelor of arts degree in political science from Marietta College, Marietta, Ohio, and a master of business administration in finance and international business from George Washington Univeristy, Washington, D.C.

Hammer is married to Jennifer Florer of Marietta, Ohio.

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## USDA ESTABLISHES MEDITERRANEAN FRUIT FLY REGULATIONS

WASHINGTON, July 20--Permanent federal regulations regarding the Mediterranean fruit fly in California's Alameda, San Mateo and Santa Clara counties were issued today under the Plant Quarantine Act, Harvey L. Ford, a U.S. Department of Agriculture official, said.

Ford, deputy administrator of USDA's Animal and Plant Health Inspection Service, said this action makes permanent regulations which were issued on an emergency basis. Movement restriction, inspection and certification treatment requirements will still be enforced only in the three counties previously designated as regulated areas. Fruits and vegetables from the rest of the state will continue to move without restriction.

"When a major pest outbreak is discovered USDA normally issues emergency regulations regarding the infested area," Ford said. "This enables us to take immediate action to contain the pest, prevent further spread and bring the outbreak under control. If eradication cannot be achieved in a reasonably short period, public hearings are held and, if justified, the regulations are made permanent."

The emergency federal regulations were issued immediately following discovery of the Medfly outbreak in June, 1980. The regulations have been periodically expanded since then--most recently on July 14, when the three counties were brought entirely under regulation. The public hearing on establishing a permanent quarantine was held May 18 in San Francisco, Calif.

Ford said California also has the same three counties under state regulation.

"The Plant Quarantine Act gives the federal government authority over inter-state movements," he said, "while the states were given authority to regulate intrastate shipments."

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## HAITIAN AFRICAN SWINE FEVER PROGRAM TO GET UNDERWAY

WASHINGTON, July 21--The Haitian government and the International Institute for Cooperation in Agriculture today signed a formal agreement authorizing a multi-nation effort to eradicate African swine fever from Haiti, the only country in North America or the Caribbean where the disease is known to exist.

The United States, Canada and Mexico will provide funds and technical assistance for the eradication program, which will be administered by the International Institute for Cooperation in Agriculture.

Representing the U.S. Department of Agriculture at the signing ceremonies in Port-au-Prince was C. W. McMillan, assistant secretary of agriculture for marketing and inspection services.

The agreement was signed by Rene Destin, minister of agriculture, national resources and rural development for Haiti, and by Manuel Rodriguez, deputy general director for the International Institute for Cooperation in Agriculture.

McMillan said the eradication program will cost in excess of $17 million and require up to two years to complete. After eradication of the disease, he said, plans call for repopulation with hogs that are free of diseases and have a superior genetic background that will increase the number of pigs per litter and improve the quality of pork.

In 1971, African swine fever invaded the western hemisphere for the first time when it struck Cuba. That outbreak resulted in 400,000 hogs being destroyed. In 1978, the disease was found in Brazil and the Dominican Republic, and in 1979, in Haiti, which shares the Island of Hispaniola with Dominican Republic.

The Dominican Republic, with a loan from the Agency for International Development and technical assistance from USDA's Animal and Plant Health Inspection Service and the Food and the Agriculture Organization of the United Nations, slaughtered its entire domestic swine population to eliminate the disease.

After completion of the slaughter program in September 1980, U.S. pigs were placed in the country to verify that the disease had been eradicated. The Dominican Republic now is restocking with healthy pigs imported from the U.S. and Canada.

Earlier this year, USDA declared an animal health emergency because of the danger of African swine fever spreading from Haiti to this country. This action released funds for the disease's eradication abroad. The United States, Canada, Mexico and the International Institute for Cooperation in Agriculture developed the eradication project after the Haitian Government asked for help.

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## MEDFLY WILL NOT AFFECT CONSUMER-LEVEL FOOD SUPPLIES, USDA ADVISES

WASHINGTON, July 21--Consumers should not see any increase in supermarket prices or any decrease in fruit and vegetable supplies or quality due to the current Mediterranean fruit fly outbreak in California, a U.S. Department of Agriculture administrator said today.

Harry C. Mussman, administrator of USDA's Animal and Plant Health Inspection Service, said USDA officials are concerned about apparent consumer confusion over the extent and market-level affect of the Medfly quarantine and eradication program.

"Consumers in a few areas are refusing to buy California fruit and vegetables, while in other areas consumers are stockpiling," Mussman said. "And there is great confusion over which fruits and vegetables are succeptable to attack by the pest."

According to Mussman, California's commercially grown fruit and vegetables are of the same high quality as always, free of the pest, not being treated, and being shipped to out of state markets in the usual high volume. Once the product appears in the supermarket there is no Medfly problem with it.

"Only three California counties--Alameda, San Mateo and Santa Clara--are quarantined for Medfly. The quarantined area contains few farms, none of which is actually infested. Only the produce from these few 'quarantined' farms is being inspected and certified prior to out-of-quarantined-area shipment."

Although the Medfly attacks more than 200 hosts, less than 50 are actually on the quarantine list and require certification. The rest--melons, for instance--are considered to be such minor hosts that they

are not regarded as likely sources of pest spread. Few vegetables are on the quarantine list. Such major crops as lettuce, corn, wheat, potatoes, carrots and onions are not a food or rearing source for the Medfly.

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## RUSSIAN PARASITES BROUGHT TO UNITED STATES TO FIGHT GYPSY MOTH INFESTATION

WASHINGTON, July 21--U.S. Department of Agriculture forestry scientists have brought from the Soviet Union a collection of parasitic wasps and flies that may be used in the fight to control gypsy moth infestations in the United States.

Joan Wallace, administrator of USDA's Office of International Cooperation and Development, which coordinated and funded the trip, said the parasites were collected in the Ukraine by a team from USDA's Forest Service. This is the first time in recent years the United States has been able to acquire living parasites of the gypsy moth from the USSR.

She said USDA biological control experts believe parasites from an insect's native region tend to be more effective in controlling a pest than parasites from other areas. For example, the gypsy moth--a native of Europe--seems to be less of a problem in the Ukraine than in the United States.

The wasps and flies will be placed in quarantine at the Beneficial Insects Research Laboratory of USDA's Agricultural Research Service in Newark, Del., for observation, and then made available for laboratory evaluation and field testing before becoming available to control targeted pests. Research will be conducted by scientists of the Forest Service, the Agricultural Research Service and State biological control laboratories.

The wasps and flies were collected at central and southern locations in the Ukraine during a visit by a Forest Service team to the Ukrainian Scientific Research Institute of Forestry at Kharkov. The Forest Service and the State Forestry Committee of the USSR Council of Ministers regularly exchange information and cooperate on various aspects of forestry.

Members of the Forest Service team were: Melvin E. McKnight, Forest Insect and Disease Research, Washington, D.C.; William E. Wallner, Northeastern Forest Experiment Station, Hamden, Conn.; Robert E. Acciavatti, Northeastern Area, State and Private Forestry, Morgantown, W. Va.; and Mark Ticehurst, Pennsylvania Bureau of Forestry, Harrisburg, Pa.

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## FOOD MARKETING ALERT: SUMMER FRUITS PLENTIFUL FOR AUGUST

WASHINGTON, July 23--There's good news for food buyers in August--growers are expecting record plum, nectarine, lime, peach and Bartlett pear crops.

U.S. Department of Agriculture marketing specialists point to these popular summer fruits and eggs as likely good August food buys.

Fresh peaches, plums, nectarines, Bartlett pears, Florida limes, lemons, raisins, dried prunes, eggs, broiler-fryers, turkey, milk and dairy products, rice, dry beans and dry peas should be plentiful during August.

Items expected to be in light supply include frozen lima beans, carrots, sweet corn and green beans and canned lima beans and sweet corn.

Beef, pork, potatoes, onions, canned peaches, pears, fruit cocktail, applesauce, frozen and canned beets and tomatoes and frozen and canned snap beans, frozen broccoli and spinach should be in adequate supply--enough to meet normal needs.

USDA marketing specialists said Florida, the primary domestic supplier of limes, is expected to have a crop of 2.1 million bushels, 8 percent larger than last season. Fresh shipments are expected to total 1.1 million bushels, about the same as the quantity shipped fresh last season. Quality and size of the limes are expected to be normal.

Shipments of this year's fresh market supply of Bartlett pears will be heavy in August, USDA marketing specialists said. California's Bartlett pear production in 1981 is forecast at 360,000 tons, 7 percent less than

last season's record crop. The quality and size of the California Bartlett crop is reported to be good to very good.

Oregon's Bartlett crop of 90,000 tons will be a new record if realized, the marketing specialists said. This represents an increase of 12 percent over last season. In Washington state, cool weather and poor pollination reduced Bartlett prospects but a crop of 135,000 tons, a 6 percent drop from last year, still is anticipated.

Egg prices to producers during August are likely to be a little below average breakeven costs of production due to recent increases in feed ingredient prices.

Prices that food buyers pay also are expected to be lower than normal.

Plum and nectarine production is expected to reach record levels and peach production near record levels.

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## USDA INVITES COMMENTS ON SOYBEAN, SUNFLOWER REFERENCE STANDARDS

WASHINGTON, July 23--The U.S. Department of Agriculture will accept public comment on present and proposed reference standards for soybeans and sunflowers until Sept. 20.

The reference standards are for calibrating instruments used to determine moisture, oil and protein in soybeans and sunflowers, said Kenneth Gilles, administrator of USDA's Federal Grain Inspection Service.

"To help facilitate marketing, it's essential that instrument calibrations be based on standard reference methods which are consistent throughout the country and conform to accepted marketing practices," Gilles said.

USDA is studying methods to determine oil and protein content in soybeans. The agency is also reviewing its current methods for determining moisture in soybeans. Moisture is one of the official grading factors for soybeans.

There are no official USDA standards for sunflowers, Gilles said. Methods to determine moisture, oil and protein in sunflowers are being

studied and these quality factors could be included in any official standards that may be established in the future, he said.

Several methods have been studied so far, including near-infrared reflectance and nuclear magnetic resonance.

Comments on the proposed reference standards on calibrating instruments will be considered together with other information available to USDA in developing reference standards.

Comments should be sent in duplicate to: Lewis Lebakken, Jr., director, Issuance and Coordination Staff, Auditor's Bldg., room 1127, FGIS, USDA, Washington, D.C., 20250. Phone: (202) 447-3910.

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## LOTTERY SET FOR QUARANTINE SPACE AT TRUMAN ANIMAL IMPORT CENTER

WASHINGTON, July 23--Importers wishing to bring cattle into the United States from European countries affected with foot-and-mouth disease are invited to submit applications for quarantine space at the Harry S. Truman Animal Import Center, Key West, Fla., by Sept. 17, U.S. Department of Agriculture officials said today.

John K. Atwell, deputy administrator of USDA's Animal and Plant Health Inspection Service, said that up to 400 quarantine spaces will be assigned to applicants through a Sept. 22 lottery in the agency's veterinary services offices in Hyattsville, Md.

Atwell said the new drawing for quarantine space is being announced concurrently with a proposal to reduce the mandatory quarantine period at the Truman center from five months to 90 days, which would mean a sharply lowered schedule of fees charged to importers.

Fees for the 90-day quarantine would vary from $3,254 per head if 400 cattle were imported up to $7,357 per head if as few 50 were imported. Costs for the five-month quarantine period ranged from $6,824 to $18,912 per head.

He said the proposed shorter quarantine is based on the agency's experience in handling two previous shipments through the Truman center--both from Brazil.

The imported cattle will undergo pre-embarkation examination, testing and isolation at an overseas facilities under USDA's supervision before shipment to the Truman center.

Atwell said that applications must be received at least five days before the drawing, together with a deposit of $1,000 per animal, payable by certified check or money order.

The applicant or a legal representative must be present at the drawing, and be prepared to execute a cooperative agreement with the department for execution of the quarantine procedures. Payment for the quarantine costs and other expenses must be made at that time.

The $1,000 deposit will either be credited toward payment of the quarantine costs or be refunded if the applicant is not selected through the lottery.

Persons interested in applying for quarantine space at the Harry S. Truman Animal Import Center should write to the deputy administrator for veterinary services, APHIS, U.S. Department of Agriculture, Federal Building, 6505 Belcrest Road, Hyattsville, Md. 20782.

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## JUNE CONSUMER PRICE INDEX RELEASE REFLECTS SMALL INCREASES IN FOOD PRICES

WASHINGTON, July 23--Higher retail meat prices in June were the major reasons the consumer price index for food went up 0.4 percent last month, according to Assistant Secretary of Agriculture William Lesher.

Lesher made his remarks following today's release of the June consumer price index by the U.S. Department of Labor's Bureau of Labor Statistics.

"Farm level prices for meat animals were up in June representing some needed improvement in prices from the very low levels which have led to operating losses for many livestock producers," Lesher said.

Lesher said food prices both at grocery stores and meals eaten away from home rose 0.4 percent. "But," he said, "food prices so far this year have have risen considerably less than prices for nonfood items."

Lesher said he expects the consumer price index for food to increase less than 10 percent for all of 1981. Uncertainties due to weather, the level of livestock marketings, and consumer demand will be important in shaping food price developments for the remainder of the year, he said.

Other highlights from today's report include:

Prices for pork were up 1.8 percent in June, reflecting lower production, while little change in cattle marketings held the retail beef price rise to 0.3 percent. Poultry prices rose 1.1 percent, mainly due to seasonal supply reductions. Higher marketing costs were the primary cause of a 0.6 percent rise in prices for cereals and bakery products. Prices for most other foods rose moderately or declined. Sugar and sweet prices fell 1.6 percent, reflecting declining wholesale prices in the spring. Dairy product prices did not change, a result of large stocks of dairy products and continued high milk production.

Higher food marketing costs--primarily labor, transportation, packaging, and energy--will cause over three-fifths of the overall food price rise currently expected in 1981. About one-fifth of the food price increase can be attributed to higher prices for foodstuffs, most of which is expected to occur in the second half of the year. The balance of the change in food prices will result from higher prices for imported foods-such as sugar and coffee--and fish.

Declining meat prices in the first part of 1981 arising from large marketings have been the primary factor moderating food prices so far this year. Other important factors include some recovery in global sugar production, leading to declining sugar prices; large stocks and prospective large world production of coffee, causing retail coffee prices to fall; and the elimination of the April 1 dairy price support increase, leading to only nominal price increases for retail dairy products.

Prices for meats and poultry are expected to continue to rise this summer. Beef production is expected to increase somewhat, but pork production will decline, leading to lower total meat supplies and higher cattle and hog prices. Retail poultry prices will also increase as consumer purchases move away from the higher priced red meats.

Prices for sugar and sweets will probably decline this summer, reflecting the passthrough of lower wholesale sugar prices. Lower sugar

prices will partly offset rising marketing costs, moderating price rises for soft drinks.

In the fall, seasonal increases in supplies of meats and other foodstuffs will dampen retail food price rises. Meat price increases will be smaller as production of red meats and poultry rises. A normal peanut crop should lead to reduced prices for peanut butter and slow the rate of increase in the consumer price index for fats and oils. Prices for dairy products will increase seasonally with larger increases likely if price supports are raised Oct. 1.

## JUNE RETAIL FOOD PRICES, PERCENT CHANGES FOR SELECTED ITEMS

| Items | May to June 1981 Not seasonally adjusted | May to June 1981 Seasonally adjusted | June 1980 to June 1981 |
|---|---|---|---|
| | | Percent change | |
| All food | 0.4 | 0.2 | 8.6 |
| Food away from home | .4 | .5 | 9.0 |
| Food at home | .4 | .1 | 8.3 |
| Meats | .8 | .0 | 6.8 |
| Beef and veal | .3 | -.6 | 2.8 |
| Pork | 1.8 | * | 16.2 |
| Poultry | 1.1 | -.3 | 10.6 |
| Eggs | .9 | 6.2 | 16.4 |
| Fish and seafood | -.3 | * | 7.0 |
| Dairy products | .0 | .1 | 7.3 |
| Fats and oils | -.4 | -.8 | 12.3 |
| Cereals and bakery prods. | .6 | *10.4 | |
| Fruits and vegetables | .5 | -.6 | 11.2 |
| Nonalcoholic beverages | .1 | .0 | 4.3 |
| Sugar and sweets | -1.6 | -1.9 | 5.6 |
| Other prepared foods | .6 | * | 10.2 |

* No seasonally adjusted index available.

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## PRESIDENT SIGNS REPEAL OF INTEREST WAIVER; WHEAT ELIGIBLE FOR IMMEDIATE ENTRY

WASHINGTON, July 23--President Ronald Reagan today signed into law legislation repealing an interest waiver on 1981-crop wheat placed into the farmer-owned grain reserve, according to Secretary of Agriculture John R. Block.

The bill also extends the date for conducting the 1982-crop wheat referendum from Aug. 1 until Oct. 15, Block said.

"As I have said previously, repeal of the interest waiver clears the way for immediate entry of 1981-crop wheat into the reserve," Block said. "Therefore, I am announcing today that effective July 24, farmers who place their 1981-crop wheat under Commodity Credit Corporation loan may enter the wheat immediately into the reserve."

Producers placing wheat in the reserve will receive annual storage payments of 26-1/2 cents per bushel, payable in advance, Block said. While interest on the loan will be charged during the first year the wheat is in the reserve, interest will be waived during the second and subsequent years of the reserve loan program, Block said. The current CCC loan interest rate is 14-1/2 percent.

Under this program, farmers agree to keep their wheat in reserve until the national 5-day moving average market price for wheat is at or above the reserve trigger release level of $4.65 per bushel, or until the 3-year reserve loan matures. When the release level is triggered, farmers may take their grain out of the reserve without penalty.

If the market price continues above the trigger release level after the initial release period (the remainder of the month in which release is triggered plus one additional month), farmers will stop earning storage payments. Interest charges, if previously stopped, will resume.

Although the call level for 1981-crop wheat is also $4.65 per bushel, Block said that only under an "extreme emergency" would he require farmers to take their grain out of the reserve when the call level is reached.

Earlier crop wheat now in other farmer-held reserves may be transferred into this new wheat reserve, Block said. Wheat in these older loans may not be held in the reserve for more than five years from the date the commodity was first placed in reserve, he said.

Current legislation provides that the maximum number of bushels of wheat in all farmer-held reserve at any one time is 700 million bushels. As of July 1, reserve wheat totaled 360 million bushels.

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## SOVIET GRAIN TALKS ANNOUNCED

WASHINGTON, July 24--U.S. and Soviet representatives will begin exploratory talks on a new grain agreement, Secretary of Agriculture John R. Block announced today. He said he expects the talks to begin in early August in Vienna, Austria.

U.S. Trade Representative William Brock will lead the U.S. delegation. Seeley Lodwick, USDA under secretary for international affairs and commodity programs, and representatives of USDA's Foreign Agricultural Service will assist Brock. Also assisting will be Don Nelson, assistant U.S. trade representative for agricultural affairs and commodity programs.

The Soviet team will be led by Boris Gordeev, deputy minister of foreign trade.

The current five-year agreement expires Sept. 30.

"We'll keep an open mind with no fixed preconceptions during the meetings," Brock said.

"It would be unwise for anyone to speculate on how long it might take to develop an agreement mutually satisfactory to both sides."

He said the Vienna talks will probably last two or three days.

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